

# MID-CONTINENT BANKER

(ISSN 0026-296X)

MARCH, 1979



**Football Cardinals  
'Assist' Boatmen's  
In \$10-Million  
Deposit Promotion  
—Page 30**



**Johnny Bench  
Puts Fifth Third  
In 'League Lead'  
With Consumers  
—Page 29**

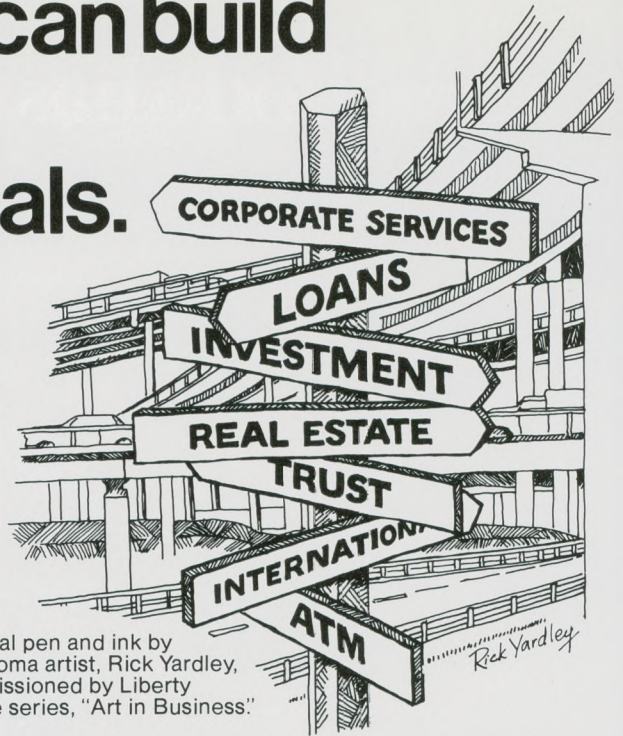
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## Convention Calendar

- 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 25-28:** Robert Morris Associates Financial Statement Analysis Workshop, San Diego, Hotel del Coronado.
- March 28-30:** ABA Bank Planning Workshop, Washington, D. C., Mayflower 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 3-7:** Bank Marketing Association Essentials of Bank Marketing Course, Temple University Conference centers, Chestnut Hill, Pa.
- 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.
- April 8-11:** ABA Branch Operations Workshop, Nashville, Hyatt Regency Nashville.
- April 8-13:** Robert Morris Associates Loan Management Seminar, Bloomington, Ind., Indiana University.
- April 10-12:** ABA Bank Security Seminar I&PD, Hershey, Pa., Hershey Motor Lodge and Convention Center.
- April 15-26:** ABA National Commercial Lending School, Norman, Okla., University of Oklahoma.
- April 25-27:** ABA Governing Council Meeting, White Sulphur Springs, W. Va., the Greenbrier.
- April 29:** ABA Certified Commercial Lender Examination, Chicago.
- April 29:** ABA Certified Commercial Lender Examination, Norman, Okla.
- April 29-May 2:** ABA Southern Regional Bank Card Conference, Washington, D. C., Capital Hilton.
- April 29-May 3:** Conference of State Bank Supervisors Annual Convention, Hot Springs, Va., the Homestead.
- May 2-4:** ABA Southern Trust Conference, Mobile, Ala., Sheraton Inn.
- May 6-8:** Texas Bankers Association Annual Convention, Fort Worth, Fort Worth Convention Center.
- May 6-9:** ABA National Marketing Conference, Atlanta, Hyatt Regency.
- May 6-11:** ABA National Commercial Lending Graduate School, Norman, Okla., University of Oklahoma.
- May 9-11:** Kansas Bankers Association Annual Convention, Wichita.
- May 10-11:** Robert Morris Associates Domestic Loan Portfolio Management Workshop, Chicago, Continental Plaza Hotel.
- May 13-15:** Missouri Bankers Association Annual Convention, Kansas City, Crown Center.
- May 13-16:** ABA National Conference on Real Estate Finance, Phoenix, Hyatt Regency.
- May 13-16:** Arkansas Bankers Association Annual Convention, Hot Springs, Arlington Hotel.
- May 13-16:** Independent Bankers Association of America Seminar/Workshop on Bank Ownership, Minneapolis, Radisson Downtown.
- May 13-17:** Bankers Association for Foreign Trade Annual Meeting, Boca Raton, Fla., Boca Raton Hotel & Club.
- May 13-19:** ABA Executive Seminar on Retail Banking, Lake Bluff, Ill., Harrison Conference Center.
- May 14-16:** Oklahoma Bankers Association Annual Convention, Tulsa, Williams Plaza Hotel.
- May 19-23:** Mississippi Bankers Association Annual Convention, Biloxi, Broadwater Beach/Biloxi Hilton hotels.
- May 20-22:** Tennessee Bankers Association Annual Convention, Nashville, Opryland Hotel.
- May 20-23:** ABA National Operations/Automation Conference, Anaheim, Calif., Disneyland Hotel.

# MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

Vol. 75, No. 3

March, 1979

## FEATURES

- 25 **TURNING COMPLAINTS INTO COMPLIMENTS**  
How to 'resell' unhappy customers
- 27 **SELLING THE SMALL MERCHANT**  
Alabama bank uses 'HandyCharge'
- 32 **FOOTBALL-THEME OFFICER-CALL PROGRAM**  
Scores \$22 million for bank
- 38 **BANK BECOMES ART CENTER**  
After voters defeat bond issue
- 50 **BANK LEADERS AGREE ON FED MEMBERSHIP**  
Reserve issue also tackled
- 64 **DEVELOPING EFFECTIVE COMPLIANCE PROGRAMS**  
Keeping management costs controlled
- 68 **BOARDROOM NEWS**  
Promotions, appointments, retirements
- 82 **LOUISIANA CONVENTION**  
Prime speakers, food and fun

*John H. Ginsler*

*William M. Isaac*

## DEPARTMENTS

- |                     |                    |                          |
|---------------------|--------------------|--------------------------|
| 6 THE BANKING SCENE | 10 WASHINGTON WIRE | 14 COMMUNITY INVOLVEMENT |
| 8 SECURITY          | 12 REGULATORY NEWS | 18 CORPORATE NEWS        |
|                     | 20 PERSONNEL       |                          |

## STATE NEWS

- |             |             |                |              |
|-------------|-------------|----------------|--------------|
| 84 ALABAMA  | 84 INDIANA  | 86 MISSISSIPPI | 88 OKLAHOMA  |
| 84 ARKANSAS | 86 KANSAS   | 86 MISSOURI    | 88 TENNESSEE |
| 84 ILLINOIS | 86 KENTUCKY | 88 NEW MEXICO  | 88 TEXAS     |

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# The Banking Scene

## The Board and Executive Contracts

By DR. LEWIS E. DAVIDS

Illinois Bankers Professor of Bank Management  
Southern Illinois University, Carbondale

ONE SCHOOL of thought on directors says the basic, overriding, principal board function is to remove an underachieving CEO, but to reward commensurately one who performs satisfactorily or superiorly. It's not up to the directors to worry about who will succeed the CEO because the officer will have made those prudent provisions himself, including how much compensation the new CEO warrants and what his primary objectives will be. The board usually will support the CEO's judgment or face an unpleasant showdown.



board composition, the bank's capital adequacy, whether to remodel or build new quarters, policy on risk management, public relations, dividends, loans and investments, charged and paid interest rates, new business development, audit and examination) and specifies compensation for bank officers — including the CEO — and staff.

There are boards between the two extremes, depending on the bank's size, stock distribution, personality and tenure of the existing CEO, age, temperament, health, stock ownership and relationships of existing board members and the CEO's employment contract.

No matter where your board fell in the past, it now is accountable to society and bank regulators at a higher standard of participation and performance. But, the board's major task still is to evaluate the CEO's performance and determine his appropriate compensation — or removal, which is rare but, nonetheless, traumatic. This is not an easy decision since the bank's performance as a whole is influenced by external (macro) and internal (micro) conditions. The officer cannot control the former, but he should judge its impact on the bank. In the short run, he can significantly influence the latter. At times, a short-run gain in profits could result in a long-run drain on profits.

For a number of years, I conducted a banking-salary and fringe-benefit survey for a state bankers association. The survey was broken down by bank size and by job description. Though the form was addressed to the CEO by the association, it was to be returned to me for confidentiality.

A high proportion of the forms were completely filled out. Yet, the small portion most likely *not* to be filled out by the CEO or his designate was the CEO's salary and fringe benefits. This was true especially of the large "public" \* banks, which were required to

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**"I have found salaries and fringe benefits to be among the most sensitive and challenged topics among readers, who often reject my data as invalid even though it came from objective sources."**

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An example of this is the strong-willed CEO who presented the bank's financial statements to the board at each regular meeting — accompanied by his written resignation. If the board didn't like the reported financial performance, it was instructed to accept the resignation. If it didn't accept it, the board moved on to the second item on the agenda, which was adjournment.

Another school of thought says the board's function is to establish, or at least affirm, basic policy, which the CEO will implement. The board, however, chooses the CEO and audits his performance. In addition, it keeps the CEO advised as to his efficiency, selects top official staff, makes a range of decisions (including determining

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**The CEO's salary often is contractual. At least 40% of new CEOs have contracts this year and the percentage has been increasing annually. A five-year contract is not uncommon.**

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file such information with the SEC or with the regional Fed, which had the information publicly available, if not widely publicized.

As editor for more than a decade of the *Bank Board Letter*, a major publication for bank directors, I have found salaries and fringe benefits to be among the most sensitive and challenged topics among readers, who often reject my data as invalid even though it came from objective sources like the Bank Administration Institute, the Conference Board, state bankers associations and major executive recruiting firms. The data's limitations are spelled out, but may not coincide

(Continued on page 82)

\* Author's Note: "Public" means subject to SEC disclosure requirements.



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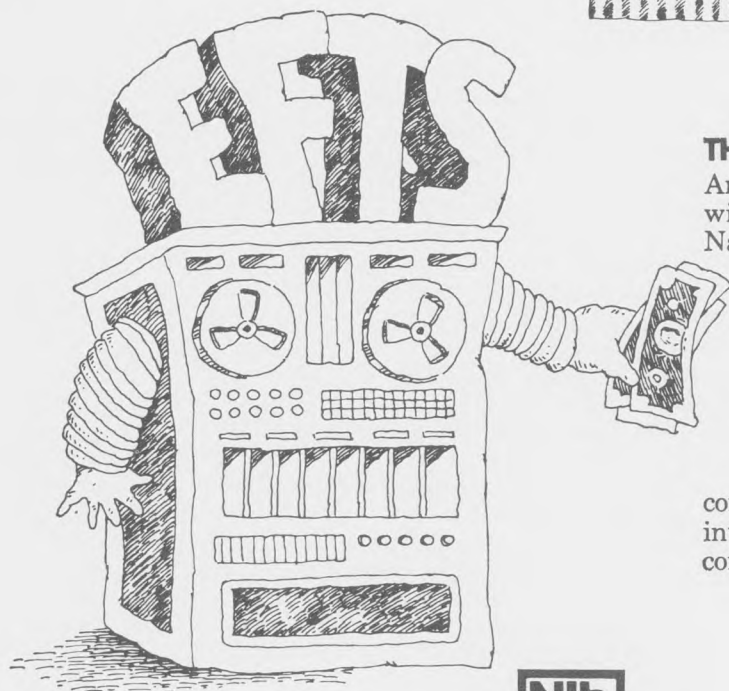
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## Losses From Forged Endorsements

By OSCAR W. JONES

Director  
Loss-Prevention Services  
Scarborough & Co.  
Chicago

RECENT events cause us to warn banks against a growing menace due to the actions of some embezzlers who lurk among the thousands of reputable members of the legal profession. These dishonest individuals not only bring discredit to an honorable and respected profession, but also — by taking advantage of an assumed cloak of respectability and integrity — have taken banks for substantial losses via the forged-endorsement route to the extent of hundreds of thousands of dollars.

One such lawyer embezzler, recently revealed, took his clients for over a quarter of a million dollars before being unmasked. His method was

**"For their own protection, banks must recognize that the client-attorney relationship rarely includes any authorization to sign the client's name by the attorney."**

to settle legitimate personal-injury claims without his clients' knowledge by using forged releases and thereafter convert the settlement checks after forging clients' endorsements. By cashing or depositing such checks in his bank accounts, he involved banks in a flood of forged-endorsement claims.

Lengthy trial delays due to congested court calendars in many parts of the country make it relatively easy to conceal false settlements from clients for several years. This can pave the way for a "Robbing Peter to Pay Paul" program, which can build up to fantastic proportions. Clients' complaints of inaction can be mollified to a certain extent by persuading them to accept

some lesser amount, being ignorant of the true settlement and using other clients' money to pay off the earlier complaints. Eventually, however, the situation is disclosed; settlements are disavowed; cases are reopened, and banks are hit with forged-endorsement claims and litigations.

Obviously, embezzlement is not limited to personal-injury matters. Trust and confidence placed by clients in their lawyers can be betrayed in any instance when the embezzler is handling clients' funds. This happens in estate matters, in real estate deals and in collection matters. Out-of-town clients can be particularly vulnerable.

For their own protection, banks must recognize that the client-attorney relationship rarely includes any authorization to sign the client's name by the attorney. It is well established that employment of an attorney does not automatically convey such authority. Therefore, banks can presume that the lawyer, whose account they have, does not have the right to sign his client's name, either "by attorney" or otherwise, unless he produces a formal power of attorney properly executed to give him that right.

Collection attorneys may be in the habit of endorsing checks payable to a client, using the client's name by themselves as attorney. They deposit the checks so endorsed in their own bank accounts and draw checks to the client for the net proceeds of the recovery, subtracting their fees for handling. Clients can condone such procedure, even to the point of estoppel to complain; but comes the day when funds are found to have been embezzled, or there is a squabble over fees, again the bank is in the middle of a forged-endorsement situation with litigation in the offing or liability because of negligence in not verifying the agency. To accept any check so endorsed is simply asking for trouble.

For many years, reputable lawyers have segregated clients' funds from their own by depositing clients' funds in a "Special" or "Trustee" account. This normally is not an account in the

name of any particular client, but is a general account in the name of the lawyer with the word "Special" or "Trustee" added. Properly handled, such accounts offer lawyers a handy way to keep their records straight and funds segregated. Improperly handled, they offer no protection whatever to the bank involved. The bank is just as responsible for forged endorsements in such accounts as it would be if the label of "Special" or "Trustee" did not exist. Such accounts should be recognized for what they are — an accounting convenience to lawyers — but nothing more. They lack the detailed trust agreements spelling out the powers and authority of the trustee

**"Lengthy trial delays due to congested court calendars in many parts of the country make it relatively easy to conceal false settlements from clients for several years."**

in a true trust account, wherein the bank can be protected by following trust-agreement provisions. Accordingly, in handling such accounts, ignore the labels and take all usual precautions to see that checks are properly endorsed.

Commonly, settlement checks are made payable to the client and the lawyer as co-payees. This is designed to permit payees to divide proceeds according to the fee arrangement agreed on. It protects the issuer from attorney's lien claims, and it protects the attorney in collecting his fee, but it does not protect the bank. The bank must protect itself. Reputable lawyers see to it that the client endorses the check. This may be done in the bank if the check is cashed and the proceeds split up on the spot; or in the lawyer's office in exchange for the lawyer's check to the client for his share, the lawyer afterwards depositing the

*(Continued on page 54)*

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



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## Action Needed in Certain Banking Areas

**A**S NUMEROUS banking and non-banking issues continue to be sorted out on Capitol Hill, priorities and strategies associated at least with certain issues are becoming apparent. At first thought, many bankers and businessmen wish that Congress would focus its attention elsewhere than on the business community. However, action by Congress is needed in specific areas — for example, simplifying consumer-protection laws and regulations, permitting banks to underwrite municipal revenue bonds and to handle commingled agency accounts, preventing interstate taxation of financial institutions, closing the interest-rate gap and ending other competitive inequities among

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**The Interest Rate Control Act's current extension won't expire until the end of 1980, but new legislative moves on this front already are being planned.**

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different types of financial institutions.

In both the House and Senate, for example, new bills have been introduced to simplify the Truth-in-Lending Act. The timeliness of the bills was underscored by press reports of apparent and inadvertent Truth-in-Lending violations by banks that may result in payments to borrowers whose annual percentage-rate disclosures were understated during the past five years. These new costs to lenders that result from the Truth-in-Lending Act point up the fact that, other than increasing consumers' awareness that there are costs associated with credit, that law has produced no discernible consumer benefit and has cost lenders incalculable millions of dollars for fruitless compliance efforts.

The ABA testified before a Senate

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

10

panel in February supporting legislation to simplify the Truth-in-Lending Act by limiting lenders' civil liability, limiting items that must be disclosed to those that truly help consumers to shop for credit, requiring the Fed to prepare model-disclosure forms and specifying that Truth-in-Lending-disclosure forms may be altered by federal authorities only once a year.

Although all parties involved in the discussion of how to simplify the Truth-in-Lending Act seem to agree that simplification is needed, the difficulty at present is that some members of Congress seem unable to resist the temptation to add new elements of complexity to the law even while they are attempting to untangle complexities created years ago.

Also in February, the ABA urged the Senate Human Resources Committee to simplify administration and compliance requirements of the Employee Retirement Income Securities Act (ERISA). ERISA imposes complicated and costly compliance procedures on pension plan managers, including bank trust departments. While controversy developed among many witnesses at the hearings as to whether prime authority under ERISA should be lodged with the Internal Revenue Service, the Labor Department or an entirely new agency, the ABA urged that as far as banks are concerned, authority to enforce ERISA should be vested with the banking regulatory agencies. Action by federal agencies last year eliminated a part of the duplicative reporting of information under ERISA that previously had existed.

House Banking Committee Chairman Henry S. Reuss (D., Wis.) forecasts new attempts to limit bank holding companies' insurance activities. He also has indicated he plans hearings on whether the Glass-Steagall Act should be amended to permit banks to underwrite municipal revenue bonds, which have grown in popularity and now constitute more than half of all bonds issued by municipalities.

Although the current extension of

the Interest Rate Control Act will not expire until the end of 1980, new legislative moves on this front already are being planned. (An amendment to that law requires the quarter-point interest-rate gap between what banks and thrift institutions are allowed to pay to attract deposits; closing that gap is a top priority for the ABA.)

Senator William Proxmire (D., Wis.), chairman of the Senate Banking Committee, has announced plans to introduce legislation that would require that, over a 10-year period, maximum interest rates that could be paid to savers would be raised one-quarter-point every six months (or a half-point every year).

Said Senator Proxmire, "This will

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**A primary concern over the coming months will be numerous new regulations to be issued under the Financial Institutions Regulatory Act, approved by Congress last fall.**

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raise the permissible interest-rate levels on all classes of deposits that now exist under Reg Q a full five percentage points. The differential would not be disturbed. Nevertheless, it appears probable that at the end of the 10-year period, the Reg Q ceilings would exceed the market rate for deposits so that Reg Q ceilings would be irrelevant."

In effect, the interest-rate gap or differential would cease to matter, since Reg Q ceilings would be real ceilings, rather than restrictive and unfair caps on competition between banks and thrift institutions.

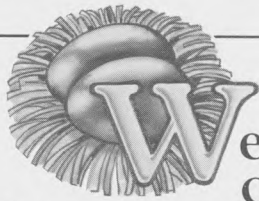
Senator Proxmire also has introduced a resolution expressing the sense of the Senate that, whenever the federal regulatory agencies authorize financial institutions to issue CDs whose interest rate is tied to federal securities, financial institutions that choose to offer such certificates also

*(Continued on page 74)*

MID-CONTINENT BANKER for March, 1979



# LONG LIVE THE GOOSE.



We are committed to all of our correspondents because we know that healthy community business is the goose that lays the golden egg.

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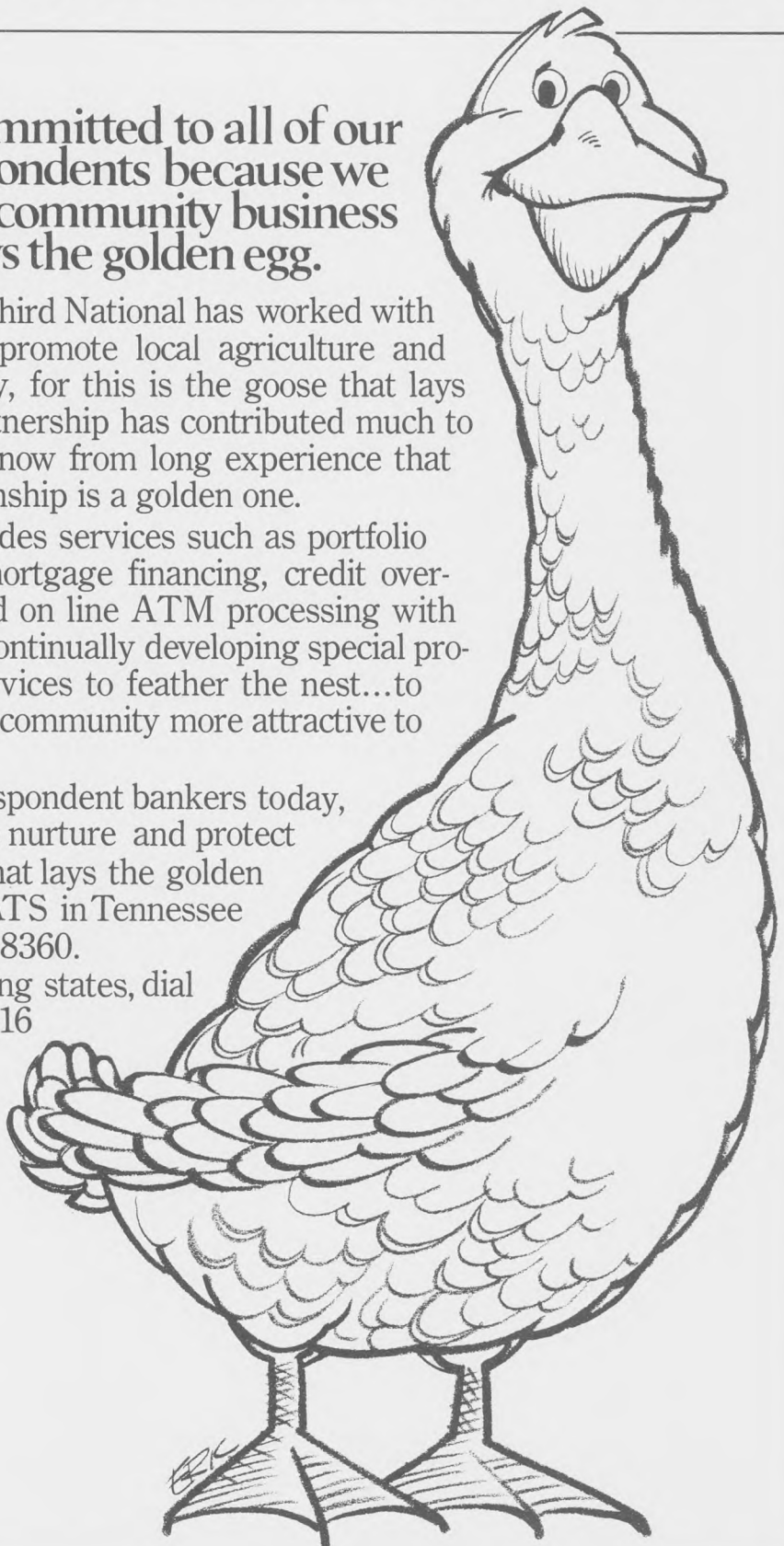
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# Regulatory News

## Regulations Are Published On Interlock Prohibition By Five Federal Agencies

Regulations designed to carry out the new Depository Institution Management Interlocks Act were proposed January 30 by the supervisory agencies that will oversee the act — FDIC, Fed, Comptroller, Federal Home Loan Bank Board (FHLBB) and National Credit Union Administration (NCUA). Public comment was received until March 5, and the act becomes effective March 10.

The act (Title VI of the Financial Institutions Regulatory and Interest Rate Control Act of 1978) prohibits certain interlocking relationships of management officials — including officers and directors — among non-affiliated depository institutions, including bank HCs and S&L HCs.

The five agencies' proposed regulations would establish four classes of exemptions from the act's prohibition against interlocks, where competition is not present and where public benefits would outweigh competitive factors. The proposed regulations also define key terms used in the act.

The draft regulations are identical for all agencies concerned, except for technical variations (such as names of agencies and designations of depository institutions they supervise). Generally, the act prohibits the following types of interlocks:

- A management official of a depository institution or a depository HC may not serve as a management official of a non-affiliated depository institution or HC with an office in the same standard metropolitan statistical area (SMSA). Exceptions are institutions with assets of less than \$20 million.

- Regardless of a depository institution's or HC's size, a management official of one such institution may not serve in a similar capacity with another such institution if the institutions have offices in the same or a contiguous or an adjacent city, town or village.

- Whatever the geographic location, a management official of a depository institution or HC with assets exceeding \$1 billion may not serve at the same time as a management official of a non-affiliated depository institution or HC with assets exceeding \$500 million or an affiliate of such an institution.

The act makes an exception permit-

ting a management-official interlock between two credit unions.

The agencies proposed that the following four exemptions to the above prohibitions could be granted by the appropriate regulators, with their specific prior approval:

1. Exceptions could be granted, for up to five years, in the case of institutions that are located in low-income or economically depressed areas; are controlled or managed by members of minority groups; are controlled or managed by women.

Purpose of these exceptions is to provide temporary assistance from experienced management, if it appears to be needed and wanted, in order to encourage development of financial institutions in low-income areas and broaden management opportunities available to minorities and women.

2. In the case of new institutions, temporary exceptions — up to two years — could be granted by the agencies, where necessary and desired, to provide new institutions with experienced management to help them get started, with the expectation that such new institutions would increase the convenience and other benefits of added competition to the public.

3. The agencies also could grant exceptions to depository institutions in a

deteriorating condition, to help prevent any decrease in public benefits and convenience resulting from further deterioration.

4. The agencies could grant exceptions to credit unions sponsored by depository institutions or depository HCs primarily to serve employees of the sponsoring institution or its affiliates. This exception is proposed on the ground that in these circumstances no competition would exist.

## Changes Are Implemented In Bank Control Act By Regulatory Agencies

The three federal bank regulatory agencies — the Fed, FDIC and Comptroller — have adopted policy statements and revised their respective regulations to implement the change in the Bank Control Act of 1978 (Title VI of the Financial Institutions Regulatory and Interest Rate Control Act of 1978). The act becomes effective March 10.

The new act requires persons acquiring control of a bank or bank HC to file 60 days' advance notice with the appropriate federal banking agency.

Changes in control due to acquisitions by bank HCs and changes in control of insured banks resulting from mergers, consolidations or other similar transactions are not covered by the act, since they already are subject to regulatory approval under other laws. Certain other exemptions from the prior-notice requirements of the act are noted individually by the three agencies.

Such acquisitions may be disapproved because of anti-competitive effects; because the financial condition, competence, experience or integrity of the acquiring person is likely to have serious harmful effects or because the person has not provided information sufficient for proper analysis. Unless the disapproval period is extended under conditions provided in the act, transactions may be consummated at the end of 60 days following the date for which receipt of notice is acknowledged.

The act defines control as the power to vote 25% of any class of voting securities or to direct a bank's management or policies.

Because of the act's early effective date, the three agencies issued their regulatory revisions in final form. However, all three invite comments on the regulations by April 6 and indicated they will adopt any needed amendments to their rules as soon as practicable.

### New FDIC Chairman

Irvine H. Sprague was named chairman of the FDIC February 7 immediately following a White House swearing-in ceremony at which Mr. Sprague began a six-year term on the FDIC. House Speaker Thomas P. O'Neill administered the oath.

Mr. Sprague, a Californian and a former newspaperman, has held a number of significant government posts in Washington, D. C., during the past 20 years. Among them was acting as an assistant to President Lyndon Johnson in the White House. He also was deputy director of finance for California under then Governor Pat Brown.

Most recently, Mr. Sprague was executive director, House Steering and Policy Committee, the organization used by the House speaker to formulate and enact legislation of national impact and to coordinate activities of the House with those of the Administration and Senate.





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Published by the ABA's insurance and protection division, the booklet offers 20 ways to prevent fires and 10 things to do if there is a fire.

Copies of the "Helpful Hints" statement stuffer are available in minimum order quantities of 500-999 at 11¢ each; 1,000-5,000 at 10¢; 5,001-25,000 at 9¢; 25,001-35,000 at 8¢. Cost for more than 35,000 copies is available on request. Folders can be imprinted at \$10 per thousand. Charges are higher for non-ABA members.

Orders should be sent to Order Processing Department, American Bankers Association, 1120 Connecticut Avenue., N. W., Washington, DC 20036.

*After the Deluge:*

## Bank Saves Civic Ceremony By Offering Lobby as Site

Inclement weather put a damper on official dedication ceremonies for the newly completed, \$1.2-million first phase of a downtown redevelopment program in Chattanooga, Tenn. However, that city's American National turned into an impromptu host and offered its main office lobby as the site for the program. The lobby's main entrance opens onto one of the newly built plazas on Market Street.

The redeveloped area, called American Bank Plaza, was to have been the site for ceremonies that included concerts by various musical groups, whose services were donated by the musicians' union local, and other activities scheduled during a three-day festival. On the first day of the festival, the Bluegrass Express musical group set up its equipment and began playing at 11 a.m., right on schedule. Then, the bottom fell out, with wind and rain descending on everything. Festival organizers huddled with bank officials, and the decision quickly was made to move the program into the bank lobby. DeArnold R. Barrette, American National's senior vice



**Manny Bowen's Dixieland Band was one of two musical groups that played in American Nat'l of Chattanooga's main office lobby prior to official dedication of American Bank Plaza. Ceremonies had to be moved inside because of heavy rain.**

president/marketing director and a member of the festival's planning committee, did stipulate that the bank would remain open and carry on as close to normally as was possible under the circumstances.

A local TV station's mobile crew went ahead with a planned live remote telecast from the festival site and, under a storefront awning, panned its camera across Market Street to where a news reporter interviewed the bank's chairman, Sam I. Yarnell, under cover in front of the bank building.

Because the rain continued, the dedication ceremonies at 2 p.m. the first day were held in the bank lobby, with congressional and civic officials taking part.

One of the speakers pointed out that present weather conditions notwithstanding, the project was completed on time because Chattanooga had experienced nine months of unusually good weather while construction was underway.

*On Houston's Sidewalks:*

## Country Music Symphony Held Under Sponsorship of Bank

Houston National sponsored its fourth annual country music sidewalk symphony in conjunction with the 1979 Houston Livestock Show and Rodeo.

The concert, held the day before the rodeo, featured Dick Allen and the River Road Boys in front of the Tennessee Building, Houston. Houston's Mr. Country Music, Bill Bailey, was the emcee.

The bank presents a series of free sidewalk concerts each spring. This year's musical programs start April 19.

*For Runners:*

## 26-Mile Marathon Sponsored By Fort Worth National

Fort Worth National and the Institute for Human Fitness of North Texas State University Health Sciences Center/Texas College of Osteopathic Medicine jointly sponsored Fort Worth's first annual Cowtown Marathon, a 26.2-mile run, in February.

Also, the two-day program featured a six-mile mini-marathon and a medical seminar for runners. About 250 persons participated.

The event was scheduled early enough for runners to qualify for the Boston Marathon, a consideration in planning the course. Organizers have applied for course certification from the Amateur Athletic Union.

The bank's president, Joseph M. Grant, expressed hope that the event will become a major sports attraction in that part of the country.

*Practical Learning:*

## Second Career Workshop Offered Students by Bank

Planning has begun for the second annual Student Career Insights Program, a workshop sponsored by Continental Bank, Chicago, to introduce area community college students to business-world opportunities and needs.

The program features a three-day workshop at a Zion, Ill., resort and summer internships at the bank.

Some 42 students enrolled in accounting, finance and computer science courses from 21 community colleges will participate. One man and one woman from each school are selected by their faculties to attend the April 4th workshop.

Each student will receive a \$100 stipend, and 10 will be selected by the bank for summer internships.

*Under Bank's Sponsorship:*

## High-Rise Risks Discussed At Fire-Prevention Seminar

High-rise fire safety was the topic of a seminar sponsored by Citizens Fidelity, Louisville, in cooperation with the Louisville Bureau of Fire Prevention. Security and building management officials, mostly working in



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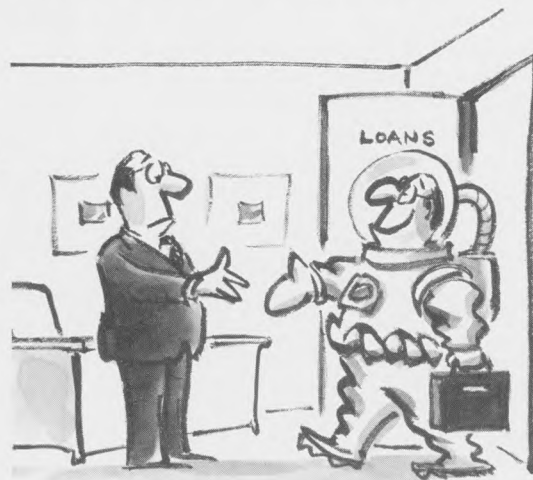
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buildings more than six stories high, were invited to attend the day-long session.

Experts on fires and their prevention spoke on their physiological and psychological effects; preplanning fire emergencies; how to operate elevators during a fire; ventilation, smoke and communications control in fire conditions; and Louisville's experience in high-rise fires.

#### Plaques Presented Classes:

### School Attendance Awards Given Each Month by Bank

Each month, Drexel National, Chicago, presents an attendance-award plaque to the school in south side Chicago that shows the largest attendance increase.

Room 303 at Henry O. Tanner Elementary school won the prize for October, 1978, when it increased attendance by 2% to 98%. James Hurt, Drexel National vice president, presented the award to Robert McCabe, principal, and the students.

As another way to show support for area schools, the bank displays student artwork on an entire wall of its lobby.

#### At Rhode Island Bank:

### Braille Checking Program Offered Blind Persons

Free checking-account services for the blind are offered by Industrial National of Rhode Island, Providence.

The accounts will be totally free of service and check charges and are being made available as a public service, says John J. Cummings Jr., chairman.

When a blind person opens an account, he will be given an aluminum check-writing template, which has holes in the places where a check must be filled out. It permits a blind person to write a check in both script and Braille. Specially trained bank employees at designated offices will advise blind customers how to handle their accounts and use the templates.

Monthly statements in Braille will be available, but in cases where a sighted person oversees the check writing and account reconciliation, a standard monthly statement will be sent.

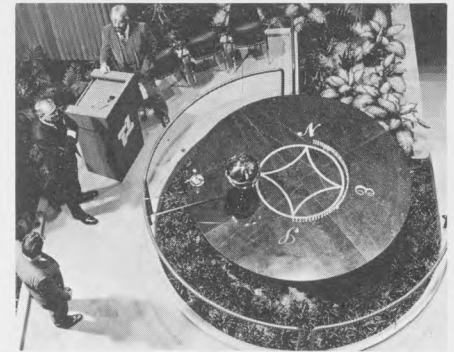
Robert H. Carolan, executive director of the Rhode Island Association for the Blind, which worked with the bank

to develop the new checking service, says that the lack of financial privacy is one of the hidden losses of blindness. He praised the bank's Braille checking system for its help to the blind.

#### Symbolizing Progress:

### First Nat'l Donates Pendulum To Louisville Science Museum

First National, Louisville, donated a Foucault pendulum display to the Louisville Museum of National History and Science as a symbol of downtown Louisville's progressive movement.



Foucault pendulum display is dedicated at Louisville Museum of Natural History and Science by A. Stevens Miles (c.), pres., First Nat'l, Louisville. James Hardy (l.), ch. of museum's citizen advisory board, and museum director Larry Brown (far r.) participated in ceremony.

The shimmering 225-pound bronze ball suspended from a 65-foot steel cable graphically displays the long-known fact that the earth rotates on its axis.

The pendulum is part of the new \$25,000 display in the museum's atrium courtyard. It swings back and forth in the same plane while the platform beneath it rotates with the earth. A ring of pins, one by one, is knocked down by the pendulum as the earth rotates beneath it.

#### City Restoration:

### Rehabilitation of Housing Funded by Continental Bank

Continental Bank, Chicago, has given a \$375,000 grant to Little Village, the fifth and newest housing rehabilitation project of Neighborhood Housing Services, Inc. (NHS). Previously, the bank donated \$130,000 to NHS.

The bank, which has helped sponsor the NHS program since its inception five years ago, will fund Little Village's operations exclusively through 1984.

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## Corporate News Roundup

• **Bank Building Corp.** Vivian C. Titone has been appointed a marketing consultant for the Bank Building Corp's financial research associates division, St. Louis. Previously, she was manager, administration and control, for the firm's northern division, Chicago.

• **Doane Agricultural Service.** Sam Moore has been promoted to senior

project director/marketing research division of this St. Louis-based firm. With Doane since 1969, Mr. Moore now directs multi-client and special research projects in the agricultural chemicals industry.

• **Madison Financial Corp.** Marcy Massie has been appointed to the new position of director, product development, of this Nashville-based firm. Formerly, she was director of marketing, General Bancshares Corp., St. Louis, and vice president, Bank of St. Louis.

• **Financial Underwriters.** Diana M. Knight has been appointed to the new position of manager/client ser-



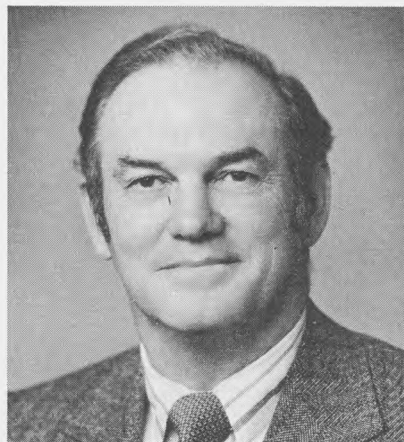
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vices at Financial Underwriters, Ballwin, Mo. She will be in charge of all service activities in Arkansas, Illinois and Missouri.

• **Walter E. Heller & Co.** Barry A. Cook has been appointed assistant vice president, Walter E. Heller Western, Inc. Mr. Cook, who heads the Chicago-based Heller's El Paso, Tex., office, joined the company in 1976.

• **Chandler Leasing.** Dennis P. Larney has been appointed vice president/Midwest region, Chandler Leasing Corp., Chicago. Mr. Larney went to Chandler Leasing in December, 1978, from Borg-Warner Leasing, Chicago, where he was director of operations and marketing for two years.

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## New Rules for Preemployment Tests

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

IN THE January-February, 1979, issue of *Harvard Magazine*, Senator Edward M. Kennedy (D., Mass.) is quoted as saying, "An unskilled senator or congressman or cabinet secretary is as great a danger to the body politic as an unskilled surgeon is to a patient on the operating table." I might say the same for the danger to American business of an impractical bureaucrat making rules to prevent discrimination.

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**Under the government's new Uniform Guidelines on Employee-Selection Procedures, all types of persons are affected — men as well as women — under sex discrimination and reverse discrimination. Thus, every employee an employer has on his payroll is included.**

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On Friday, August 25, 1978, the government adopted new Uniform Guidelines on Employee-Selection Procedures dealing at some length (20 pages) with the concept of "adverse impact." Adverse impact means a substantially different rate of selection in hiring, promoting or other employment decision that works to the disadvantage of a race, sex or ethnic group. Disadvantage here means *extra expense* for the employer.

All this is important to every employer because types of persons affected include men as well as women under sex discrimination and reverse discrimination. Thus, in one way or another, every employee an employer has on his payroll is included. The purpose of this comment is to bring to your attention some principles involved so you'll understand what you're getting into and whether you have any way out

when a government investigator comes to call.

Most people don't understand the technical description of race, minority or ethnic group as it appears to an investigator for the Department of Labor or the Equal Employment Opportunity Commission (EEOC). (Federal Register; Vol. 43, No. 166, Friday, August 25, 1978.)

Records called for are to be maintained by sex and the following races and ethnic groups: Blacks (Negroes); American Indians (including Alaskan natives); Asians (including Pacific Islanders); Hispanic (including persons of Mexican, Puerto Rican, Cuban, Central or South American or other Spanish origin or culture regardless of race); Whites (Caucasians) other than Hispanic. All employees must appear under these classifications. For example, a white Brazilian who is not Hispanic would be Caucasian. A Brazilian of African descent would be black. The same goes for persons from Guyana, Surinam or Trinidad who would be classified in accordance with their races and would not necessarily be included in the Hispanic category.

The EEOC has the power to change the ethnic classification of hundreds of millions of persons. For instance, originally inhabitants of the Indian subcontinent were classified as white, not of Hispanic origin. All of us have

In the accompanying article, Lipman G. Feld discusses new rules on preemployment questions and testing. In connection with these rules, Mr. Feld has a standardized list of proper and improper preemployment questions and will send copies to those who request them.

Send \$3 and a stamped, self-addressed envelope to:

Lipman G. Feld  
1233 West 69th Street  
Kansas City, MO 64113

met people from India who are white and others whose skin is pitch-black. India, Pakistan, Bangladesh, Sri Lanka, Nepal, Sikkim and Bhutan — now all these particular black, brown and white persons fall under the classification of Asian or Pacific Islander.

The governmental theory is that an employer can avoid application of the new guidelines by using procedures that have no *adverse impact*. If adverse

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**Preemployment tests must be given to all applicants or to none. There can be no picking and choosing which ones are to be tested. Decide carefully what information you want from an applicant. Don't ask any questions not having to do with common-sense business necessity.**

---

impact exists, it must be justified on the grounds of business necessity.

"*Business necessity*" is not for the benefit of the employer and not what the employer calls common-sense "business necessity." The two words mean one of the types of validation studies set forth in the new guidelines. So the government defines business necessity on a technical basis and not on a common-sense basis. In spite of President Jimmy Carter's urge for language reform in government, the regulation uses strong "bureaucratese."

On preemployment testing, there are three types of validation studies, two of which are very complicated:

*Criteria-related validity* and *construct-related validity* are tough tests simply because comprehension is beyond the depth of the average employer, who now needs an expert to help him. A *criterion*, for example,



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could be a requirement of a master's degree in business administration and its statistical relationship to a certain job performance. A *construct-related validity* would involve measuring leadership and its relationship to job performance. Only a special type of egghead can cope with these.

The *content-validity* study offers a little more hope because it can be used to support tests of specific items of knowledge or specific job skills. Can Jennie Jones type 70 words a minute?

So all inclusive are the new regulations that they apply not only to pre-employment tests, but also to any selection process used for hiring.

You must give preemployment tests to *all* applicants or to none. You can't pick and choose which employment applicants to test.

Decide carefully what information you want from an applicant. Do you need to ask the person whether he owns a car? Why? Don't ask any question not having to do with common-sense business necessity. For example, why ask a person about ever being bonded unless this person handles money or goods?

One thing certain is that if you don't keep records and make them readily available to the federal compliance officer, you are bringing on yourself an implication of discrimination under the new law. So keep your turndown-employment applications and other records on hiring procedures.

*Hope for Employers.* It appears you still can use your own common sense about hiring minorities when you hire only a few persons a year. How "few" the number might be is not clearly defined, but certainly it's less than the total number of fingers on both hands. Although lawyers in private practice

have no qualms against filing such lawsuits on behalf of citizens claiming discrimination, the government often will ignore small employers. The EEOC jurisdiction does not cover organizations with fewer than 15 employees.

As mentioned before, what is involved in job discrimination is *adverse impact* on minorities. Federal agencies now will not regard job-selection procedures as discriminatory taken as a whole if an organization selects four-fifths (also called the 80% rule) as many minorities as non-minorities. Otherwise, if selection procedures have an *adverse impact* on minorities, a peck of trouble could result.

Lawyers filing discrimination suits are awarded big fees, which are paid by the employer and not the person claiming discrimination. Fees usually are based on an hourly rate, often with time spent by legal novices piling up extensive research. From the viewpoint of the defense lawyer, the work of the plaintiff's lawyer in a discrimination case looks easy. The attorney defending on behalf of the business being sued has a rough job. Now there is a possibility courts of appeal will reduce the amounts of these legal fees for filing such lawsuits, basing pay on actual law-office expense plus a reasonable profit. This is disturbing to all those lawyers making huge fees for manufactured research on discrimination cases. Such law firms may have to reveal what they charge their business clients.

Because of President Carter's fight against inflation, the proposed 1,000 new EEOC jobs mostly for field work, investigation and enforcement may not materialize. However, there are about 2,500 eager beavers on the EEOC payroll applying streamlined proce-

dures of enforcement.

One hope for businessmen is that the Supreme Court may declare these esoteric guidelines unconstitutional. Another possibility is that Congress will understand that although such rules possibly are applicable to big businesses they don't apply to smaller and middle-sized businesses. ●●

#### Ways to Reduce Bad Checks Described in New Book

"Bad Checks and Fraudulent Identity" — Lipman G. Feld, National Association of Credit Management, New York City. 128 pages, soft cover, \$6.50 (NACM members: \$5.50).

Of the 12 billion checks processed by the Fed in 1976, 142 million were returned unpaid. No one knows what portion of these represented overt deception or fraud, but the number is large enough to impose a threat to bankers.

To help banks from being the victim of postdated, unsigned, improperly signed or forged checks, or of checks for which there are no accounts or insufficient funds, Lipman G. Feld has written, "Bad Checks and Fraudulent Identity." He is a regular contributor of articles to MID-CONTINENT BANKER.

Mr. Feld, a Kansas City attorney and author of "Harassment and Other Collection Taboos," has outlined precautions against fraud and swindle in chapters that include anecdotes and legal citations. In one chapter, a professional bad-check artist shares some of his "trade" secrets.

The book is available from the National Association of Credit Management.

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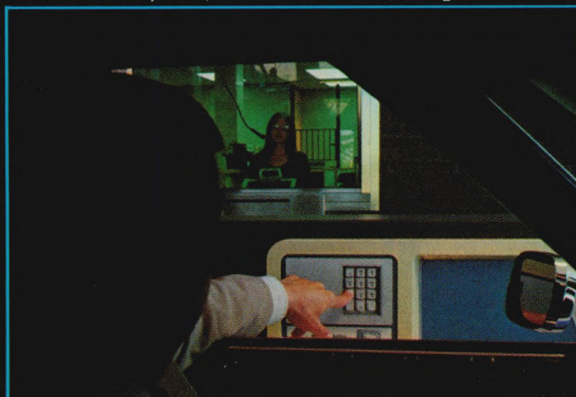
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Christmas Tree Ornaments, both 3" unbreakable satin finish and 3¼" pearlescent glass balls.

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# Turning Complaints Into Compliments

Or how to 'resell' a dissatisfied customer

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



“IT WOULD BE a great business if it weren't for those darn customers and their complaints!” This is a feeling sometimes felt by many bankers, but fortunately expressed only to themselves or their associates. However, when a banker feels this way about his customers and their complaints, he often overlooks the opportunities they afford to keep customers sold and to strengthen customer loyalties through application of additional problem-solving service.

Because bank services are rendered by people subject to the full range of human fallibilities, and because customers are a mixture of both reason and emotion, it's virtually impossible to deliver service that will totally satisfy all customers all the time. Consequently, complaints will and do occur.

The interesting thing about service errors and deficiencies, however, is that customers will tolerate them when they perceive that you're genuinely concerned about resolving their complaints, and you do resolve them. What they will not tolerate is a “don't-give-a-darn attitude” that leaves them stewing in their emotional juices and their complaints unresolved.

*A Positive View of Complaints.* Because complaints often are accompanied by emotional fire and smoke, it's perfectly natural to view them fearfully and defensively. However, as many experienced business developers have found, complaints provide a unique opportunity to accomplish these important customer-development objectives:

- *Enhance bank's customer service image* by demonstrating that you view each customer as an important person, rather than a faceless number, and establishing your credibility and capacity as an effective problem-solver. Most banks pay lip service to customer service, but lose much of their credibility because of insensitivity in reacting to service complaints.

- *Retain customers and their loyalty* by resolving minor service deficiencies before they grow into major bad experiences that cause customers to seek a new bank relationship and by delivering to customers a more complete measure of need-satisfaction that warrants a continuing relationship.

- *Expand customer relationships* by discovering that many complaints can

be best resolved by employing a service to strengthen or enhance an existing service or by suggesting a better alternative to the service that's being used. For example, customers who complain about waiting in lobby lines often can have their banking needs handled better through use of such services as direct deposit, bank by mail, automatic transfer or telephone transfer.

- *Identify service improvements* by determining valid deficiencies in a bank service or capacity that require internal improvement in the service or capacity or development of a new service. Many new services offered by banks today are the outgrowth of customer complaints about performance deficiencies or prior services or lack of particular services.

When complaints are viewed in these positive terms, you have a constructive basis for dealing with them, rather than worrying about — “How can I avoid them, or how should I defend myself?”

*Why and How Complaints Occur.* The starting point for resolving complaints is to recognize why and how they occur, so you can treat the root cause of the complaint, rather than its surface symptoms. There are three primary causes of complaints:

1. *Faulty communication.* Complaints are a frequent result of failure to communicate clearly, completely and accurately with a customer about his needs and the services or capacities your bank can provide to satisfy such needs. For example, complaints about overdraft charges often occur when

The author, a regular contributor to MID-CONTINENT BANKER under his “Let's Talk Selling” column, this month discusses how the banker can turn a customer complaint into an advantage for his bank.

Mr. Ginsler's columns, which began in this publication a year ago, are extremely popular. As a result, his columns soon will be reprinted in booklet form for handy reference by bank management, department heads and all public-contact personnel.

There is no such thing as a “born” salesman, says Mr. Ginsler. But sales techniques can be learned, and “the more we learn about selling,” he says, “the better salesmen we will be.”



you fail to fully define a customer's intended use of his checking account as he opens it, to discuss needs or uses that could result in overdraft charges and to propose and explain the benefits of using your bank's line-of-credit service or overdraft protection to avoid returned-check charges. Another common cause of complaints is failure to explain bank policies and procedures in terms relevant to the customer. For example, most customers do a slow burn when asked to provide personal identification when cashing a check, because no one has explained how and why such a policy protects the customer.

2. *Substandard performance.* With services that require human input, performance errors are inevitable in spite of controls built into a service to keep them to a minimum. This is evident in the occasional errors that occur in posting a customer's statement or in applying charges. Another more frequent cause of customer complaints, however, is deficient customer relations. Most bankers recognize the need to treat their customers with courtesy. However, in practice it doesn't always work out that way, and the customer comes away from the transaction feeling mistreated. In some cases, the origin of a customer's complaint may be his own performance error. In spite of what Marshall Field said many years ago, the customer may *not* always be right — as when a complaint about overdraft charges is due to the not-uncommon failure of the customer to keep his checkbook in balance.

3. *Excessive expectations.* When customers expect more from services and capacities than you're capable of delivering, complaints are sure to follow. The banker sometimes contributes to a customer's excessive expectations by exaggerating the benefits of a particular service. This can be due to excessive eagerness to sell the customer or lack of knowledge about the limits of the service. In any case, when you can't deliver promised benefits, you end up with a dissatisfied and complaining customer. In some cases, however, the customer's excessive expectations can result from his reading more into a service than you communicated or intended him to believe.

Customer complaints can occur in a variety of shapes and forms. The most common are as follows:

• *Direct Statement.* With this form of complaint, the customer expresses dissatisfaction in specific terms. For example: "You made an error in my credit-card statement this month —

charged me interest when I paid my balance in full!" While such complaints are stated directly, they frequently require some clarification as to details before they can be resolved effectively.

• *Indirect Statement.* With this type of complaint, the customer expresses dissatisfaction, but in general or undefined terms. It frequently occurs as grumbling or gripes about the service he's receiving. For example: "Your service is going to pot." Obviously, before you can deal with such complaints constructively, you must ask the customer to define it in specific terms.

• *Hidden Complaint.* With this type of complaint, the customer is unhappy or dissatisfied with some aspect of your service or bank, but fails to express his dissatisfaction to you. This can be due to a variety of reasons — the customer doesn't want to be viewed as a complainer; he feels the problem isn't important enough to complain about; he may feel the deficiency eventually will correct itself; he may feel it won't do any good to complain since it's impossible to change banks and their systems, or he may feel he's going to have to live with it as a part of doing business with any bank. The hazard of allowing any complaint to remain hidden, regardless of how the customer views it, is that what starts out as a minor problem frequently will grow into a major bad experience that can move the customer to a competitive bank. Furthermore, as a complaint grows and festers inside a customer's mind, he eventually gives vent to his feelings by complaining to others.

*How to Detect Complaints.* To resolve complaints, you must, first of all, be aware of their existence. Detecting

complaints involves these basic communication methods:

1. *Listen to your customers.* This includes listening for specific details of a direct complaint, as well as general comments or gripes that indicate an indirect complaint. Concerned and active listening helps you resolve complaints by encouraging the customer to supply underlying details about his complaint, by enabling you to assess the emotional intensity of the complaint and what will be needed to resolve it and by reducing the emotional pressure associated with the complaint.

2. *Observe customer actions and attitudes.* This is particularly useful in spotting clues that indicate hidden or unstated complaints. For example, customer practices that may indicate hidden complaints include an extended period of account inactivity, major withdrawals from an account, failure to come into the bank for longer-than-usual periods, apparent reluctance to transact business with you or other personnel in the bank, etc.

3. *Ask questions.* This is useful in detecting complaints in two ways. Customers frequently state complaints incompletely or unclearly. By asking questions such as — "What concerns you?" "Why do you feel this way?" "How did this happen?" "When did this occur?" — you get a more precise fix on the underlying causes of the complaint and what will be needed to resolve it. A second use of questions is to flush out hidden or unstated complaints.

When observations lead you to believe that something may be bothering a customer, effective questions for getting at hidden complaints are — "What suggestions might you have for improving our service?" "What complaints might you have about our service?" "What's kept you away from the bank so long?" While asking questions such as these may sound like asking for trouble where none may exist, it invites the customer to vent his feelings when he otherwise might be reluctant to state a complaint; it enables you to get hidden complaints out in the open where they can be dealt with, and it demonstrates your sincere interest in satisfying the customer and improving your service.

*Common Errors in Complaint Handling.* Detecting complaints is just the starting point for resolving complaints. Once you have identified a complaint, you still need to react to it constructively.

(Continued on page 62)

MID-CONTINENT BANKER for March, 1979

#### Snow-Guessing Contest



David L. Brewer, pres., First Security, Glendale Heights, Ill., presents a \$500 check to Mrs. Florence Skinner, Glendale Heights, for guessing the first official snowfall of winter in the Chicago area in a bank-sponsored radio contest. She guessed snow would reach one inch at 9:30 p.m., November 26. Since then the Windy City has had more than 82 inches.

# Selling the Small Merchant

## HandyCharge Does It For Central of Birmingham

**H**OW DOES A BANK know primarily to wholesalers, manufacturers and industry go about winning merchants for customers? Affiliates of the Birmingham-based bank HC, Central Bancshares of the South, designed a new private-label charge package called HandyCharge, which,

As he explains further, the HandyCharge system is for the business that doesn't want to invest in a huge computer or staff of accountants and bookkeepers to do its own work, the business that can't generate the capital needed to buy that fall inventory. HandyCharge, he continues, is for cus-

through Central Bank, as well as service charges and new-account fees.

With one exception, all merchant customers that Central has so far on its private-label/HandyCharge service formerly were non-customers of the bank. Now they are depositing customers, and several have put CDs in the bank.

According to Mr. Shannon, retailers are attracted by the same thing everybody has to offer in the banking business — instant money. Central buys their receivables every day that merchants deposit.

But what makes Central's program distinctive? Mr. Shannon lists these advantages:

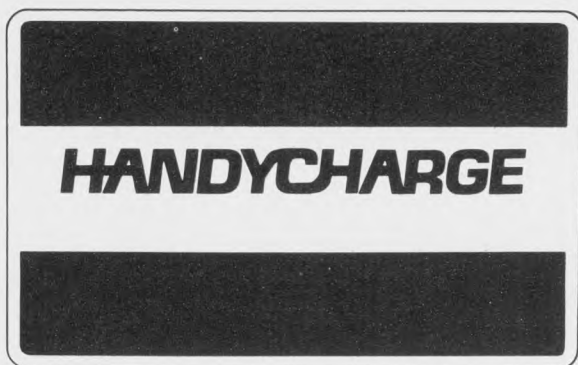
1. *Convenience.* The program is local. A retailer takes his invoices to the nearest Central Bank for processing. He no longer must depend on, nor wait on, the mails for his cash flow. Also, should the merchant ever have a problem, the bank and he can sit down and solve it together — not over long-distance lines.

2. *Oneness.* Retailers use the same imprinter, same authorization number and same deposit number and are served by the same sales representative.

3. *Merchandising.* Central supplies all mailing aids — statement stuffers, direct-mail-solicitation programs and statement messages. Central also helps with credit-line increases. Finally, it will fund an annual incentive program for retailers' employees. All this is done to improve retailers' sales and, at the same time, boost Central banks' volume. As Mr. Shannon puts it, "The best of all possible worlds."

4. *Central's backing.* With this program, merchants no longer have to "go it alone." They have Central's computer information, legal staff and marketing expertise on which to fall back. HandyCharge is an extremely flexible program, says Mr. Shannon, and can be adapted to each retailer's particular needs.

(Continued on page 48)



This plastic card is basis of Central Bancshares of South's private-label charge package called HandyCharge. Purpose of program is to expand Central's retail-consumer base.

says Len Shannon, director, consumer services division, is working to expand Central's retail-consumer base. Mr. Shannon developed the program.

Mr. Shannon says HandyCharge is designed to introduce Central to the heart of the retail business — the charge account.

"Purpose of going into the service," says Mr. Shannon, "was to penetrate the retail-merchant base to a greater degree than what our banks had done previously. We needed something that would help our banks attract business from retailers who were accustomed to doing business with older, established banks."

The Central HandyCharge system was created to benefit the medium- to small-size merchant by providing him with a charge-account system for his customers. Mr. Shannon points out that Central Bank of Birmingham, the HC's lead bank, was the first Alabama bank to offer both Master Charge and Visa to its customers, and the new program fits right into that system to make it easier for merchants to process.

tomers who need a ready cash flow.

Benefits for retailers using the program include marketing, credit-management, computer and sales help. In return, all credit-card business from merchants is channeled

Len Shannon, director of Central Bancshares of South's consumer services div., developed HandyCharge private-label charge package described in accompanying article.





## Market Bank Services From Retail Viewpoint

**B**ANKING IS a people-oriented industry — if there were no customers, there would be no bank. But a Midwest consulting team is trying to get bankers, even non-officers, to stop thinking like bankers and to start thinking like retailers. Their reasoning? Consumers are well educated, know their legal rights and can choose where they will bank. The team believes, "The weakest link in a bank is salesmanship. All banks are competitive and must sell their services. The element of confidence in a bank has to be far greater when customers are depositing their money rather than buying a TV set."

Building a customer-contact employee's confidence so he can better "sell" the bank's image and services is the focus of the Retail Associates, St. Louis, training seminars. The sessions, designed "for every person in the bank who will say one word to a customer," are based on successful sales tools the team has used in the retail industry. This includes teaching employees to use a customer's name during transactions, to say hello or to make eye contact when a customer enters the bank and to cross-sell services from other departments. Results of these attempts, said Emil Nathan and Richard Prager, the two-man consulting team, will make your customer feel comfortable and appreciated "like a guest in your own home," and make him want to keep banking with you.

Both men have backgrounds in the retail field. Mr. Nathan owns several children's clothing stores and Mr. Prager worked with training at a large department store. Neither feels his lack of banking-operations expertise is a hindrance to the approach. "We bank in banks; we know our pet peeves about the service. Whether we understand the Fed doesn't make a bit of difference if we leave 50 to 200 bankers with a better customer rapport after our sessions."

At least two banks in the MID-CONTINENT BANKER area have begun using the "banker as retailer" concept. William Edison, administrative vice president, Union National, Manhattan, Kan., said the approach will help the bank maintain its competitive edge. "The only thing a bank has to sell is service. Since we all have the same services, the only other thing we can offer is our people."

Retail Associates has conducted one management training seminar at the bank to outline what it will discuss during customer-contact sessions. In the sessions, the team devotes half the time to participant feedback, encouraging employees from different departments to discuss how they would apply problem-solving techniques to their areas.

The training theme is "confidence through communication." Officers are included so they know what the tellers, new accounts personnel, telephone operators, personal loan employees and administrative assistants learn. Thus, they all can work together more effectively afterward. "Tellers see more customers in a day than most officers ever will — it's important they're trained to offer the best service," said Mr. Edison.

St. Louis County Bank, Clayton, had a slightly different reason for wanting "banker as retailer" training. Three years ago, a survey compared its services and operations to other area banks and County Bank rated highest in each. "Our function is to provide professional banking services, not gimmicks or merchandising like so many of the S&Ls and other banks," said Curtis Giles, vice president. "We want to provide the best service of any bank in the county."

*(Continued on page 52)*

*Mona Lisa Would Smile:*

### Bank Lobby Becomes Gallery For Annual Art Exhibit

Every year, the Country Store Gallery, an Austin, Tex., art gallery, sets up shop in the lobby of the River Oaks Bank, Houston, to show off works by the old masters, contemporary favorites and many nationally known Texas artists. The gallery is not the bank's commercial customer; the bank doesn't make money from the sale of the art, nor does the gallery pay a fee for using the lobby space.



River Oaks Bank, Houston, begins its annual lobby art exhibit with a champagne opening, by invitation only. After that, display is open to public and bank encourages customers and potential customers to see its facilities and meet its officers.

What the bank gets in exchange for some lobby space is a tremendous response from River Oaks customers. The annual art show was started to bring customers and prospects into the bank to see the facilities and to meet the officers. To make it all official, the bank holds a champagne opening, by invitation only, the first night of the show.

The four-day exhibit is open to the public after the champagne celebration. The display includes oil paintings, watercolor and pastels, pen and ink, artist proofs, lithographs and bronze sculptures priced from \$100 to \$100,000. Many of the works are by well-known artists: Remington, Picasso, Chagall, Dali and Degas. In all, the Country Store Gallery displayed more than \$1,000,000 worth of original art.

### Bank's New Premium: Corningware

Corningware is now part of bank premium program offered by the Salem China Co., Salem, O. From left are S. T. Foster, Corning sales representative; Ralph LaHue, Salem Nat'l sales mgr.; Jay H. Keller, e.v.p.; and Donald LeBlanc, Corning specialty sales/marketing mgr.



With Johnny Bench as Spokesman:

# Fifth Third Is No. 1 In Consumer Awareness In Its Trade Area

CINCINNATI is a baseball town, and it has reason to be. The Cincinnati Reds have been consistently good at winning National League pennants and, most recently, won the World Series in 1975 and 1976. Therefore, it seemed a natural for that city's Fifth Third Bank to sign up the Reds' all-star catcher Johnny Bench as its official spokesman in 1973.

In the ensuing years, Mr. Bench — an extremely popular and recognizable personality in Cincinnati — has helped make Fifth Third the No. 1 bank in consumer awareness in its trade area.

To cite one instance of his effectiveness: The bank built the marketing program for its Jeanie automatic teller system around Bench commercials, and the recognition level of the system



Cincinnati Reds' all-star catcher, Johnny Bench (seated, r.), signs new three-year contract to be spokesman for Fifth Third Bank, Cincinnati. Robert L. Tritten, bank's marketing director, is seated next to Mr. Bench. Standing (l. and r., respectively) are Mr. Bench's agent, Bill Hayes of Hanna Barbera, and Leigh Miller, pres., Freedman Advertising, bank's agency since 1975.

was brought to a remarkable 92%. This, says the bank's marketing department, is even higher than the awareness of certain national banking services, although they were backed by network TV.

In addition to ATMs, Mr. Bench has represented virtually every Fifth Third service, including Visa, Jeanie's Private-Line telephone service and, recently, the new automatic transfer program.

Mr. Bench's success can be traced not only to his professionalism in broadcast-media fare, but to his attitude toward Fifth Third as well. When, earlier this year, he signed a new three-year contract to continue with Fifth Third, Mr. Bench said, "I've banked there since I was a rookie with the Reds. It's important to me to believe in a product before I can endorse it, and I believe it's the best bank in Cincinnati. I've truly enjoyed my association with Fifth Third."

Participating in the recent contract negotiations were Hanna Barbera, Mr. Bench's agency, and Freedman Advertising, the bank's agency since 1975.

The bank is just as enthusiastic about the relationship. Robert L. Tritten, the bank's marketing director, puts it this way: "We're pleased to be continuing our association with Johnny. We've gained enormous awareness through this relationship, and we're confident we'll enjoy even greater rewards in the future." ●●

This is example of how Cincinnati Reds' Johnny Bench acts as spokesman for that city's Fifth Third Bank. In this instance, he is telling public about bank's One Account package of 11 banking services, including new automatic transfer program.



Do you keep your savings in one place and your checking in another?

Do you think you really earn more money that way?

You could be fooling yourself!

For now there is a new way to handle your financial affairs — with Fifth Third's One Account\* — that could earn you more than what you're getting now ... and provide you many additional benefits, too!

**Here's how you can earn more money!**

Sign up for Fifth Third's exclusive One Account — our "package" of eleven banking services. Included is Automatic Transfer, whereby you'll have both a checking and a savings account that work together like one account.

When you deposit money, it will automatically be credited to your savings account, where it can earn interest at our regular savings account rate of 5%\*\*. Then, when you write a check, we'll automatically transfer only the amount of the check from your savings to your checking account.

So, you earn interest on your money right up to the time you use it!

And, depending upon the monthly service fee and check charges you currently are paying to maintain your checking account — compared to the small, all-inclusive monthly cost of The One Account, you can be money-ahead by switching to The One Account!

Here's an example of how you'll come out ahead: Say you keep a \$600 average balance in your checking account and \$1000 in a 5% savings account. You'll be earning \$4.11 per month interest on your savings\*\* — but you'll have \$600 not earning interest! And, you'll probably be paying out at least \$4.17 on your checking account for the monthly service charge.

The net result is that for your combined balances, you will net only \$1.20 per month — and that's not in pennies!

With The One Account, you'll be earning interest on your full \$1600 and the monthly maintenance cost of \$4.07, less the \$3.90 monthly charge for The One Account, net you \$1.07!

\*Interest is earned provided you maintain a daily balance of \$100 in the month. If at any time your balance falls below \$100, interest will be calculated on the average balance. \*\*Interest on your maintenance average balance of \$1500 or more for the month, interest is paid once a year, typically in January. Interest does not fall below \$100. Interest is calculated on the average account balance.

**And look at the additional benefits you get with The One Account, that you don't have with your present arrangements!**

- 1. Unlimited Checking**  
Write as many checks as you want. No check or other additional fees!
- 2. Personalized Checks**  
Checks with your name and address imprinted upon them are provided at no cost!
- 3. No Charge for Traveler's Checks, Cashier Checks, Certified Checks, Money Orders and out-of-state statements rendered.**
- 4. A \$5 Safe Deposit Box**  
A \$5 certificate applicable to any safe deposit box for your valuable papers, etc.
- 5. Your Own One Account Banker**  
You have the services of The One Account Director to help with any special banking situations you may have.
- 6. A Jeanie\*\*\* Card**  
For trouble-free, 7 day-a-week service at any Jeanie automatic teller location, and access to Jeanie's Private Line\*\*\*\* — Touch-Tone® phone banking from the convenience of your home or office. No charges/fees for transactions!
- 7. A One Account Personal Identification Card**  
Your identification for quick check cashing at any Fifth Third office, and for securing the no charge services outlined in #3 above.

**And Upon Qualification ...**

- 8. Preferred Rate on Installment Loans**  
Depending upon the amount of your loan, the savings could be considerable — paying for The One Account for years!
- 9. A Visa® Card**  
Use it for purchases at over 1,500,000 merchants around the world, and for cash

advances at 16,000 banking offices in this country, 47,000 worldwide.

**10. Bounce-Proof Checks**  
With Ready Reserve, a line of credit that works with your checking and Visa accounts.

**The One Account is for the "average" Greater Cincinnati.**

The One Account provides the most modern, convenient and financially rewarding banking services for the average person — one who writes a fair amount of checks each month, maintains average balances in checking and savings accounts, wishes to keep his money earning interest till used, has occasional need for around-the-clock electronic access to his accounts, finances the purchase of his car, uses traveler's checks on vacation, etc.

If that's you, then The One Account — only at Fifth Third — is for you!

**Come Into Fifth Third.**

The most convenient way for you to quickly determine what The One Account can do for you is to come into any Fifth Third office. Bring along your most recent checking and savings account statements, and we'll explain how The One Account best answers your needs and financial situation. Banking is changing ... and more than ever, Fifth Third is the only bank you'll ever need!



**FIFTH THIRD BANK**

The only bank you'll ever need.

\*Service Mark owned by The Fifth Third Bank. \*\*\*This per month interest may vary depending upon how the financial institution computes the interest.

\*\*Interest Rate based on Reserve Payment System. © The Fifth Third Bank, 1978. Member F.D.I.C. Federal Reserve System.



# Premium Blitz Scores \$10 Million in New Accounts

*Does a bank need offices all over the city to sponsor successful premium campaigns? Boatmen's used a football-Cardinal theme in its fall premium promotion, but a smaller bank could be just as successful locally substituting the NFL with the winning high school basketball team, the county little league baseball team or the Tuesday-night bowling league. Many of the ideas in the following story could be signals you could use for your bank's winning streak.*

By LORI MANDLMAN  
Editorial Assistant

**A** PREMIUM program that scored more than \$10 million in new checking, savings, CD accounts or add-ons to established accounts has proved that the smartest coaches aren't always found on the playing field. Sometimes, as in the case of Boatmen's Bancshares, St. Louis, bank presidents think up the winning plays.

Presidents of the various Boatmen's affiliates in the St. Louis area wanted a premium program for fall that would take into account sports-minded St. Louisans and would be timely enough to appeal to back-to-school-minded parents and children. They recruited

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**COVER PHOTO:** Boatmen's Bancshares, St. Louis, teamed football with function for successful premium promotion. Linebacker Mark Arneson (l.) and cornerback Roger Wehrli, football Cardinals and Boatmen's "double coverage" spokesmen, wore sport-clothes premiums monogrammed with bank/team logo, signed autographs and appeared in premium commercials showing pro-ball and Boatmen's in action.

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Warm-up suit (inset) and jacket are modeled by Carol Crosbie, marketing department, Boatmen's National, St. Louis. Shirts and jackets displayed registered NFL Cardinal logo and warm-up suit was offered in fine and medium grade. All were free or at discounted prices during premium campaign.

30



two St. Louis Cardinal football players to wear and promote the premium package — shirts and jackets (for the back-to-school crowd) and warm-up suits (for the jogging set) bearing the registered logo of the NFL Cardinal team — and the opening shot was fired. The banks gave away thousands of premiums during the 10-week promotion (the shirts were the most popular), and of the two grades of jogging suits, the premium grade was selected over the medium grade two to one.

The bank obtained exclusive rights to the logo for one year, with an option to renew the following year. Next, it dealt directly with the players and ar-

pating bank dressed in the official Boatmen's/NFL garb and autographed more than 6,000 photos for fans and lobby customers.

The visits were the highlight of the program, occurring at participating banks on five successive Fridays. Each affiliate promoted the players' visit to its bank, and all had three sports-clothed mannequins and posters for lobby displays.

Visits were from 5:30 p.m. to 6:30 p.m., coinciding with rush-hour traffic, but ending before each bank's 7 p.m. closing so as not to interfere with teller balancing. Rushing yardage was scored by the fans, who often couldn't wait till the players entered the bank to

This attracted a lot of local people as well as local news media.

Players Wehrli and Arneson claimed to enjoy the contact sport of public relations, also. Ten- and 30-second TV spots showed them viewing official NFL footage of themselves in action on the field, while the narration was the voice of CBS Monday night football, Jack Buck, prominent St. Louis sportscaster.

A member of the advertising department at Boatmen's, St. Louis, said the players were unusually customer oriented, letting the fans ask questions or snap their pictures as often as they wished.

(Continued on page 43)

All persons are eligible who open a new Checking, Savings or Certificate of Deposit Account, or add to an existing Savings Account.

CATEGORY 1	CATEGORY 2	CATEGORY 3	CATEGORY 4	CATEGORY 5
Open a Savings, Certificate of Deposit or Checking Account for \$200-\$299 or add \$200-\$299 to your existing Savings Account, you will receive your gift for the price shown below:	Open a Savings, Certificate of Deposit or Checking Account for \$300-\$499 or add \$300-\$499 to your existing Savings Account, you will receive your gift for the price shown below:	Open a Savings, Certificate of Deposit or Checking Account for \$500-\$999 or add \$500-\$999 to your existing Savings Account, you will receive your gift for the price shown below:	Open a Savings, Certificate of Deposit or Checking Account for \$1,000-\$4,999 or add \$1,000-\$4,999 to your existing Savings Account, you will receive your gift for the price shown below:	Open a Savings, Certificate of Deposit or Checking Account for \$5,000 or more or add \$5,000 or more to your existing Savings Account, you will receive your gift for the price shown below:
Shirt ..... \$ 6.00	Shirt ..... \$ 4.00	Shirt ..... \$ 2.00	Shirt ..... FREE	Shirt ..... FREE
Jacket ..... \$12.00	Jacket ..... \$10.00	Jacket ..... \$ 7.00	Jacket ..... \$ 5.00	Jacket ..... FREE
Warm-Up Suits	Warm-Up Suits	Warm-Up Suits	Warm-Up Suits	Warm-Up Suits
Our Finest ..... \$30.00	Our Finest ..... \$28.00	Our Finest ..... \$26.00	Our Finest ..... \$24.00	Our Finest ..... \$18.00
Medium Grade \$21.00	Medium Grade \$19.00	Medium Grade \$17.00	Medium Grade \$15.00	Medium Grade \$10.00

Offer limited to existing supply. One gift per account.

Sorry, Federal law prohibits more than one gift per account per year. Limit five gifts per family.

ranged for them to promote the shirts and jackets, manufactured by Logo 7, Indianapolis, and the warm-up suits, made by Winning Ways, Kansas City. There were five categories of eligibility for receiving the premiums free or at discounted prices.

Participating banks (all in the St. Louis area) were: Boatmen's National, St. Louis; Boatmen's, Concord Village; Boatmen's, West County; Boatmen's, O'Fallon; Boatmen's, Troy; Boatmen's National, North St. Louis County; and Boatmen's, Jefferson County.

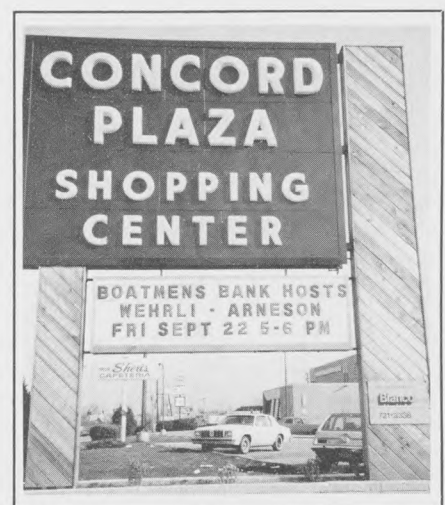
The idea took off like a running back in motion. The major thrust of the promotion was blanket coverage by radio, TV and newspaper advertising, aimed at customers and potential customers in the overall St. Louis market who were thinking about a fall savings program after a summer of vacations, and who were looking forward to the opening of the football season. In addition, Cardinals Roger Wehrli and Mark Arneson visited each partici-

ask them for their signatures or about the team's season. On three separate occasions, the players stayed an extra half hour to accommodate the fans.

Some of the banks took imaginative measures to advertise the visits. President David V. McCay, Boatmen's, Concord Village, tied in the promotion to its United Way campaign with the slogan, "Winning Ways for the United Way," and used the Big Red jackets as giveaways at the kickoff meeting. Also, since the bank is located in a shopping center, it was able to advertise on the mall's marquee for one week prior to the players' visit.

The program generated enthusiasm, Mr. McCay said, and "new account activity was up over normal activity. We got excellent recognition by outside organizations."

Boatmen's, Jefferson County, arranged a 12-minute interview with Roger Wehrli and a local radio station that was broadcast live from the bank lobby before the autograph session.



ABOVE: Eligibility chart showing how to obtain premium offers went to customers as statement stuffers, reinforcing lobby posters, radio and TV advertisements.

BELOW: It didn't have a scoreboard so Boatmen's, Concord Village, announced players' visit on mall marquee for one week prior to event.





These photos are two of nine pictures being used in 1978 annual report of Liberty Nat'l Corp. of Oklahoma City in connection with its successful officer-call program. Promotion brought in \$11 million in deposits and nearly as much in loans. TOP: Liberty correspondent banker James Kienholz (l.) and Ponca City, Okla., banker Rex E. Edgar (r.) visit with Don and Forrest Mertz of Mertz, Inc., Ponca City oil equipment manufacturing firm. Result of visit was that Liberty and its Ponca City correspondent now are working as team to provide working capital for Mertz firm to conclude \$14-million equipment sale to Republic of China. BOTTOM: Bankers and Mertz executives line up with team of representatives from Republic of China. Chinese were visiting Mertz plant to be trained in use of equipment they're buying.

## Football-Theme Officer-Call Program Brings in Nearly \$22 Million

A FOOTBALL-THEME officer-call program at Oklahoma City's Liberty National ran up a "score" of \$11 million in deposits and nearly \$11 million in loans. During the year-long promotion, 7,443 calls were made by all bank officers, including J. W. McLean, chairman of the bank and of its HC, Liberty National Corp.

The officers were divided into 21 teams of eight persons each, and each team was named for a National Football League squad. The program's philosophy also was borrowed from a gridiron axiom.

"As they say in football, 'let's get back to the basics.' In football, that means blocking and tackling; at Liberty it means 'ask for the business,'" said Mr. McLean.

Management responsibilities of the team leaders included tabulating weekly team reports and submitting

summary reports to the program monitor, Assistant Vice President Larry Testerman.

The call program focused on making customer calls and new-business-prospect calls. Within the year, 47% of the calls were made to present customers, often selling them new services, while 53% were prospective-customer calls.

Sales clinics were held 10 times during the year, and fundamentals of the officer-call effort were stressed. Clinic subjects were: "The Manager's Role in Business Development," "Value Analysis," "Commercial Banking," "Listening Skills," "Funds Acquisition," "Making a Sales Presentation," "Visa/Master Charge," "Consumer Banking Survey," "Trust Services" and "Objections, Please!"

Officers were expected to make a "quality" call each week if they were

to qualify for quarterly and annual awards. A quality call met these criteria:

1. Research performed *prior* to the call.
2. Identification of a specific customer/prospect problem or need.
3. Offer of specific solutions to the identified problem.
4. Assistance, if needed, of other specialists within the bank.
5. A minimum-risk, maximum-benefit trial offer to the customer/prospect.
6. Timely follow-ups.
7. Results.

During the year, Mr. Testerman sent regular information bulletins to all officers. These bulletins gave periodic results, announced interim meetings and special awards and pointed out services for special emphasis.

A special benefit produced by the program, says Mr. Testerman, is "cross-pollination" — bringing together officers from throughout the HC so that they began sharing ideas and information from their departments.

Another benefit is an increased sense of purpose and direction on the part of all officers. Liberty has learned that a large bank still can take a "personal" approach to servicing present customers and gaining new business.

Quarterly progress meetings were held throughout the year, and merchandise and restaurant gift certi-





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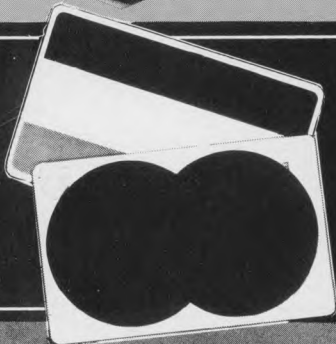
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- 2. POINT OF SALE TERMINALS**

**INCLUDES BOTH "ON" AND "OFF" PREMISES DEVICES  
APPLIES TO BOTH "OWNED" AND "SHARED" DEVICES**

**The Policy covers:**

- 1. Card fraud losses resulting from the use of counterfeit cards or lost or stolen cards;**
- 2. Holdup, robbery, burglary, theft;**
- 3. Vandalism or malicious mischief;**
- 4. Misplacement or mysterious disappearance;**
- 5. Robbery or holdup of a customer or representative of a customer while transacting business at a device;**
- 6. Destruction or damage of an Automated Teller Machine or Point of Sale Terminal resulting from actual or attempted burglary or robbery, or vandalism or malicious mischief.**

**The Coverages** set forth above are **EXCLUDED** by:

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Rider SR 5973 — Form 22 Savings and Loan Association Blanket Bond

Rider SR 5977 — Form 5 Savings Bank Blanket Bond

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- ... for misplacement or mysterious disappearance of property
- ... for holdup of a customer

**INSURANCE PROGRAMMERS** designed this policy at the request of bankers and thrift institution people, to provide realistic insurance in operating both "on" and "off" premises automated teller machines, and point of sale terminals.

Available limits range from \$25,000 per loss to \$250,000 per loss. Deductibles are available from \$250 upwards.

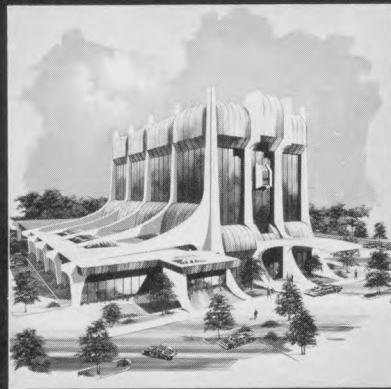
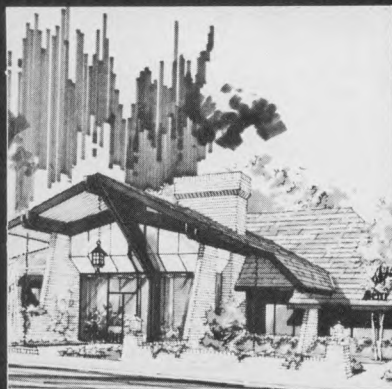
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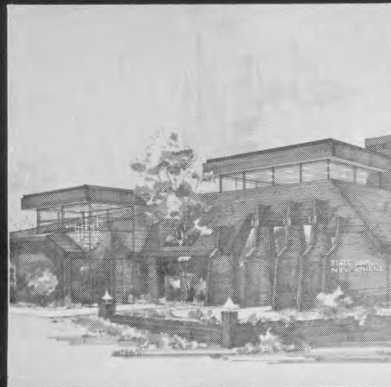
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Believe us. Family portraits are appealing. We ought to know. We're the largest photographic concern of its kind in the nation. And we've been at it for forty years. We've got to know more about family pictures than anybody else!

This campaign will be made available to you at a very nominal cost and will include a year-round program of newspaper ads, radio spots, billboard designs,

statement stuffer designs plus a budget guide promotion. A special feature of the campaign is the free color portrait promotion for individuals and family groups — tried, tested and guaranteed to work.

When we ask our customers to say "Cheese," they keep on grinning . . . from ear to ear . . . from year to year! So will your customers.

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Chattanooga, TN,  
Telephone (615)  
622-5141 Ext. 213

*olan mills*

THE NATION'S STUDIO





cates were given members of those teams with 100% participation.

New business was generated for every bank service, ranging from complete payroll direct-deposit programs to safe-deposit-box rentals.

Liberty is so pleased with the officer-call program's results that the program is providing the basis for visual emphasis in Liberty National Corp.'s 1978 annual report. The report features nine photos of calls being made by different Liberty officers. Each photo caption briefly explains the result of that particular call.

For instance, there's a commercial-banking photo of Senior Vice President Robert A. Gregory and R. J. "Dick" Stone in the shop area of Governair Corp., a manufacturer of industrial air-conditioning equipment. The caption reads: "One of a series of calls by Senior Vice President Gregory on R. J. "Dick" Stone, president of Governair Corp. RESULT: Line of credit, mortgage loan, acquisition financing and trusteeship for pension plans."

The personal-banking photo is of Senior Vice President Carl Grant and Vice President Charles Kedy at Custom Stainless, Inc., a sheet metal factory. The caption reads: "Senior Vice President Grant and Vice President Kedy make frequent calls on customers Paul Powers and Delmer Breshears of Custom Stainless, Inc. RESULT: Besides account-receivable and equipment financing, this call related to the customer's purchase of certificates of deposit."

In the annual report's trust-banking photo, Executive Vice President Jack White and Vice President Charles Evans visit the Oklahoma City University campus. The caption reads: "Trust Executives White and Evans consult with OCU President Dr. Dolphus Whitten Jr. in connection with a technicality in the administration of an estate for the university's benefit. RESULT: The estate was saved \$180,000 in taxes, which enlarged OCU's support."

One of the three investment-banking photos shows Senior Vice President and Senior Investment Officer Ken Brown at the Southwest Electric Co. The caption reads: "Liberty Investment Department Manager Brown reviews plant-expansion needs with David Phares and R. D. Pooler of Southwest Electric Co. RESULT: Liberty funded a \$1,025,000 industrial development revenue bond."

Other photos represent international, real estate and mortgage banking.

The report's cover photo shows

Chairman McLean and Executive Vice President Fred Moses making a call on W. W. Hulsey, chairman, Macklanburg-Duncan Co., manufacturer of nationally distributed building specialties. One of the results of calls on that bank customer was that Macklanburg-Duncan became the first pilot corporation to enroll in a new automated inter-regional direct-payroll-deposit service.

Call results were announced by Willis J. Wheat, senior vice president/marketing, at a president's breakfast for officers at which 10 fabulous trips for two were awarded to lucky participants in the program. The program's emphasis was on rewarding consistent effort rather than dollar production. Therefore, the trips were awarded through a drawing in which names were entered of all officers who had fulfilled the requirements of making at least one "quality call" (described earlier in this article) per week for the year.

The one-week all-expense-paid trips for two were to four different exotic destinations: three trips to Cozumel, Mexico; three to the Bahamas; two to Mexico and Acapulco and two to Honolulu.

The breakfast climaxed the first year's officer-call program, whose success has led the bank to begin a second-year officer-call program with a football-team theme. Therefore, when Liberty officers are heard discussing the Dallas Cowboys, Los Angeles Rams or Baltimore Colts, they aren't just "shooting the breeze." In reality, they're mapping strategy for Liberty's officer-call program. ●●

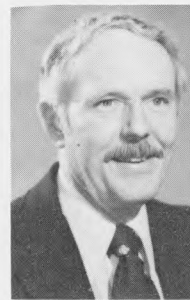
*'Reasonable Profit' Is Goal:*

### **Pricing Will Be Focus Of Banclub Convention**

Pricing of services will highlight the program for the Banclub Association's seventh annual convention April 21-24 at San Francisco's Fairmont Hotel. The convention will include the association's first national forum on pricing. Later this year, other forums will be held on regional bases as part of an ongoing program. The convention theme will be "There Is a Better Way — Banclub '79."

The pricing forum will feature national speakers, marketing instructors and Banclub member bankers. During special sessions, delegates will be able to participate directly in the programs.

According to Henry C. McCall, president, Financial Institution Ser-



McCALL

vices, Nashville, which sponsors Banclub, pricing is the key subject on every bank executive's mind, regardless of the size or locality of his institution.

"All of us involved in banking," says Mr. McCall, "learned early on the basics of bank management — management of funds, management of people and management of services. The latter is what Banclub is all about, development of services that attract and hold customers and pricing of these services in order to provide a reasonable profit to the bank."

As a result, explains Mr. McCall, Banclub launched the most intensive personal-contact survey of Banclub banks and their markets ever undertaken by any group or organization. During January, he continues, Banclub representatives *personally visited* every Banclub member bank and their competitors to ascertain current up-to-date information on pricing in banks of all sizes coast to coast. He says this information will be presented at the Banclub convention in April.

In addition, the convention program will unveil new Banclub promotional and training programs, new training film and new speakers' bureau.

The film, which centers on a bank's contact employees and methods they use to sell Banclub, actually is two films in one. It can be stopped and started by an instructor for questions or comments, or it can run uninterrupted.

The speakers' bureau will provide speakers for bank conventions, seminars and training sessions. They will be men and women who are experts in pricing, package accounts and other areas and will include association officials, council members and Banclub member bankers.



# Bank in Dallas Becomes Center For Fine Artworks Exhibits

**N**ORTHPARK NATIONAL, Dallas, through its chairman, Raymond D. Nasher, is a good example of how the corporate sector can take the initiative in sponsoring cultural programs and thus release taxpayers from the costs of ever-increasing government programs. When Dallas voters turned down an \$18-million bond issue for a new art museum, NorthPark National stepped in to fill the gap.

According to a spokesman, NorthPark National is the only bank in the U. S. whose main banking area was designed from its inception as a showplace for major works of art. These works are shown to advantage by the special lighting and construction features incorporated into the bank building's initial planning.

High ceilings, unobstructed open areas and generous use of brick create unobtrusive surroundings for art. The bank lobby is designed so that customers may enjoy and become involved in the art while they transact their banking business. They don't have to make a special "side trip" to an isolated room or area. Special concrete pads accommodate heavy pieces of artwork.

It is Chairman Nasher's involvement in the arts that paved the way for this unusual bank lobby. He owns an outstanding collection that includes works by the world's greatest 20th-century sculptors, such as Henry Moore, David Smith, Alexander Calder and Anthony Caro. Mr. Nasher is founder and president, Raymond D. Nasher, Co., which is involved in planning, developing and managing shopping centers, office parks, indus-

trial sites, new towns and planned residential communities. He also is treasurer and a director of the Texas Rangers baseball team.

Mr. Nasher had a twofold reason for seeing that NorthPark National's building had a place for art exhibits.

Raymond D. Nasher, ch., NorthPark Nat'l, Dallas, whose involvement in the arts has led to the bank's becoming a center for art exhibits, has been called a "Renaissance man."

He served under the late President Lyndon B. Johnson as the U. S. delegate to the United Nations General Assembly and has held several advisory posts in Washington, D. C., including the President's Committee on International Cooperation, the U. S. Commission to UNESCO and the advisory committee to the National Science Foundation.

Mr. Nasher is a visiting teaching fellow in the Graduate School of Education at Harvard University, Cambridge, Mass.

He is a real estate developer and treasurer and a director of the Texas Rangers American League baseball team.

He believes ownership of something beautiful carries with it the responsibility to share it with others. Also, he says he would not continue acquiring art if he didn't have a site for exhibiting it.

"I'd like to increase our collection," says Mr. Nasher, "because NorthPark Bank is such an impressive place for exhibiting artworks for people who,

perhaps, would not otherwise see them in a museum."

Mr. and Mrs. Nasher loaned art from their private collection for the bank's first major art exhibition, the first to be shown under the bank's expanded policy of continuous art exhibits. The show was valued in excess of \$14 million and previously had drawn large audiences at the prestigious University Gallery at Southern Methodist University, Dallas.

A bank spokesman believes Mr. Nasher has moved NorthPark Bank — a \$93-million institution — into the elite of banking art, along with Chase Manhattan and Citibank in New York City and First National in Chicago.

Combining high-quality art with business has produced marketing benefits, which have not escaped NorthPark National executives. President Thomas Abbot remarks, "This is fun for the customers. They can enjoy something more than just making a deposit or withdrawal. It's enriching."

A bank employee believes the art is good for business, saying, "People come to see the art; an employee asks whether he can help, and, frequently, they start banking here."

Another employee says the art affects those who look at it — "People stand for 15 minutes in one spot and talk to themselves. The art has become part of the bank."

In addition to the Nasher exhibit, other recent showings at the bank included an American Indian rug exhibit, an exhibition of Calder tapestries, a showing of Southeast Asian art and a turn-of-the-century poster display.

The bank itself owns a sizable art collection, including a Calder tapestry, "Autumn Leaves." The bank's collection ranges from modern to pre-Columbian and other native art from Africa, Asia and South America. ● ●



Huge typewriter eraser by Claes Oldenburg (l.) draws attention of visitor to lobby of NorthPark Nat'l, Dallas. Bank is said to be only bank in U. S. whose main banking area was designed from inception as showplace for major artworks. In this photo can be seen various artworks on lobby walls and floor.

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**MID-CONTINENT BANKER for March, 1979**

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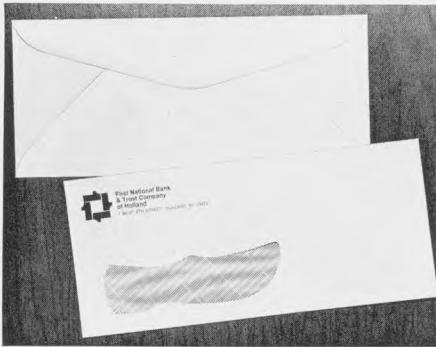
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# Customers Like Snappy Envelopes

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Pictured is novel Dutch shoe window envelope designed for First Nat'l, Holland, Mich.

**C**USTOMERS of First National, Holland, Mich., got a kick out of the bank's newest envelope — it has a window shaped like a wooden shoe.

Wayne Wyckoff, vice president and cashier, First National, and Jerry Wilson, Tension Envelope, Kansas City, designed it to tie in with the bank's

heritage, particularly since the city was settled by Dutch pioneers and has an annual tulip festival.

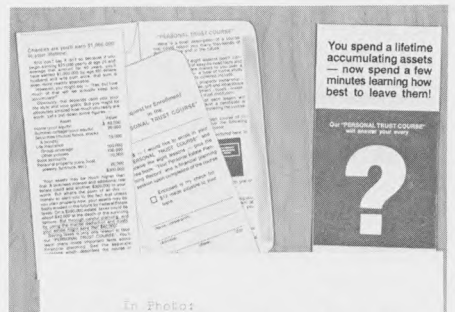
Although other banks obviously would be unable to use the wooden shoe envelope window, they could work with other themes. For example, a bank near a river or ocean could use a boat outline.

Another envelope that's producing results for a large Chicago bank is a "hot potato" that sells a trust course by mail for \$12. More than 800 persons enrolled in the course, which has eight lessons.

The course's details and enrollment slip were combined in a hot potato envelope and sent to customers with their monthly statements. Also, the bank uses the envelopes when soliciting new customers.

The bank reported returns of 3.8% from their promotions, which paid for the entire program, according to Paul

Stelter, president of Stelter Co., Des Moines, Ia., which developed the promotional campaign for banks. The trust course hot potato can be adapted to any bank because its return address can be printed on the deep remittance-style flap. ••



Above is hot potato envelope that sold trust course to a Chicago bank's customers.

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## First Nat'l Charter Corp. Forms Mortgage Subsidiary For Use by Affiliate Banks

**KANSAS CITY** — First National Charter Corp., a bank HC, has formed a new subsidiary, Charter Bankers Mortgage Co., which began operations in January.

The new company will generate mortgage loans and purchase residential and commercial mortgages from the HC's 20 affiliate banks for resale into the secondary mortgage market. The subsidiary will allow affiliate banks more flexibility in their mortgage portfolios by reducing their loan-to-deposit ratios, according to the HC.

Also, the company will offer automated mortgage servicing capabilities to CharterBanks and maintain a construction loan section for residential and commercial loans.

William J. Huhmann, executive vice president, First National Charter Corp., is chairman of the new sub-

siary. Robert W. Wornall, vice president, First National, Kansas City, is the company's president.

Vice presidents are J. William Mueller, vice president, CharterBank of Jennings, and Glenn W. Timmons, formerly vice president of Capital Federal Savings, Topeka. William J. Fisher, vice president and secretary, First National Charter Corp., is secretary-treasurer.

The mortgage company has started operations on a limited production basis, according to Mr. Wornall, concentrating on establishing proper underwriting documentation and procedures required to be successful in the secondary mortgage market. Future plans include development of regional centers to generate and service mortgage loans.

## For Charity:

### Bank to Increase Donations By \$10 Million Over 3 Years

Bank of America, San Francisco, will increase its charitable giving by at least \$10 million over the next three years, bringing total contributions for that period to at least \$22 million.

Arthur V. Toupin, vice chairman, emphasized that the increased donations have been made possible by strong earnings performance and not because of any tax savings due to Proposition 13.

However, he said that the most productive and proper way for the bank to employ any actual tax savings is to reinvest the money in the community, to bolster jobs and programs that will be cut back by fewer state funds.

A bank task force has been established to identify the greatest community problems caused by Proposition 13 and to develop a plan to help solve them.

MID-CONTINENT BANKER for March, 1979



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## BMA Slates Marketing School, 'Essentials' Course in Spring

**A**CTING OUT a bank marketing management situation and using case histories will be two of the training tools of the School of Bank Marketing's 32nd annual session May 27-June 8 at the University of Colorado, Boulder.

This intensive, two-week, two-year program — sponsored by the Bank Marketing Association — is designed to teach bank marketers how to effectively develop and apply modern marketing techniques to their banks. Students are shown the various steps in the bank marketing process, including marketing planning, research, advertising, sales and training.

Tuition is \$1,025 (\$725 for BMA members) for first-year students; \$1,050 (\$750 for BMA members) for second-year students.

A separate course, Essentials of Bank Marketing, is scheduled at the Boulder campus for May 27-June 1. This is a one-week curriculum designed for the banker who wishes to enhance his understanding of basic

bank marketing principles and their day-to-day applications.

The course's eastern extension is slated for April 3-7 at Temple University Conference centers in the Chestnut Hill section of Philadelphia and a new Southwest extension November 27-December 1 at the University of Houston's Continuing Education Center.

Tuition for Essentials of Bank Marketing Course, Boulder, is \$675 (\$465 BMA-member price). Although the eastern and Southwest extension courses have the same number of instructional hours, they are taught in four days. Tuition is \$600 (\$425 for BMA members).

For additional information, contact Debbie Hoover, Schools Administrator, Bank Marketing Association; 309 West Washington Street, Chicago, IL 60606. ••

No-Gimmick Advertising:

## Businessmen Give Testimonials In Bank's New Ad Campaign

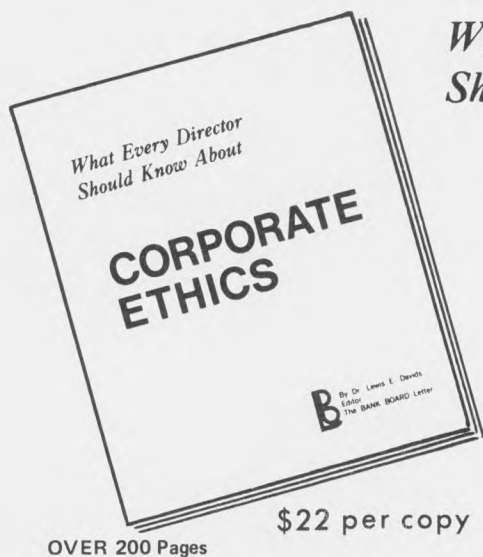
Some of NorthPark National of Dallas' leading commercial customers who realize the tremendous asset of successfully mixing business with banking have declared, "That's the way I'd run a bank" in print. They are part of the bank's new advertising campaign.

Each customer in his own words cites different reasons for using the bank, but M. L. "Spec" Bradley, vice president, Informatics, Inc., Equimatics Division, sums up the bank's commercial success as a result of "service after the sale."

Morris Porter, president, American Public Energy Co., says, "Having an expert to serve this important group of customers, that's the way I'd run a bank" in his ad. "It's not the loan — all money is about the same — it's the servicing capabilities of the bank that count after the loan is made."

E. B. Johnson, vice president, Peanuts, Inc., feels that NorthPark National is "one bank that lets the customer take care of business while it takes care of the banking."

The 13-year-old bank has \$100 mil-



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standards of ethical conduct on the part of the bank's entire staff.

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This manual will enable directors to probe the "grey" areas of business conduct so they can establish written codes of ethics. Such codes often can help banks avoid "tainted business practices" that can place the bank — and its officers and directors — in "uncomfortable" positions in their communities.

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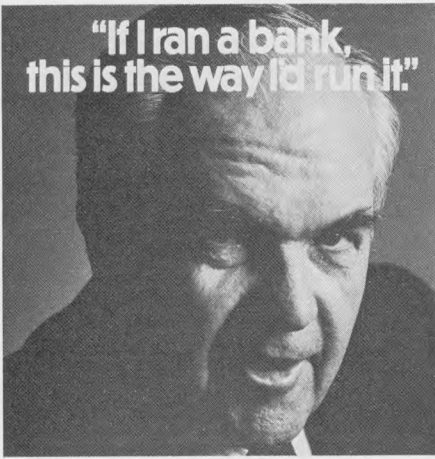
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Society as a whole is demanding more disclosure from all its segments, including banking. This posture literally forces bankers to re-examine policies on types of information that can be disclosed publicly.

The disclosure policy of a board can be a major factor in the public's judgment of a bank's conduct. The fact that a bank is willing to discuss — or make public — actions that have a significant bearing on ethical considerations will encourage high

**"If I ran a bank,  
this is the way I'd run it."**



Morris Porter, President and Chief Executive Officer, AMPECO.

*The petroleum industry requires a hard-to-find combination of banking and financial expertise. A combination most banks don't have, so, it's good business for the bank that does.*

*"At American Public Energy Company, we sponsor oil and gas public drilling programs throughout North America which require a substantial amount of capital. Yet, our primary bank is not a large, downtown bank. After all, it's not the bank loan—money is all about the same—it's the in-house servicing capabilities that count. We work with Phil Sawyer at NorthPark National."*

*Bank. He understands the technicalities of our industry and even goes with us on business trips as needed.*

*"Having an expert to serve this important group of customers, that's the way I'd run a bank."*

*Why business people like the way we run our bank. Personal. Bank officers like Phil Sawyer from some of Texas' best banks, have a good head for business as well as banking.*

*Assets: \$100 million. Hours: The bank is open 9:00 a.m. to 5:00 p.m., five days a week. Auto-banking service. "Money" "Money" "Money" and "Money" "Money".*

*Auto-bank: 15 Auto-bank windows all offer full banking services.*



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We support the services business customer with the NorthPark National Bank. We have a total of 15 branches in Texas and 15 branches in Texas. We are a member of the FDIC. We are a member of the FDIC. We are a member of the FDIC.

**NorthPark National, Dallas, features businessmen and women in its new advertising campaign.**

lion in assets and is located in NorthPark, a retail merchandising center.

"NorthPark National has been regarded as a retail bank and as a checking-account facility for north Dallas residents," says Tom Abbot, the bank's president. "Yet in our market research, the bank found that most of its rapid growth — from \$40 million to \$100 million in three years — had come from commercial operations and not just individual accounts."

## Premium Blitz

(Continued from page 31)

"The autograph session was outstanding," said Charles N. Denton, president, Boatmen's, O'Fallon. "Roger and Mark worked extremely well with the customers. In fact, I can say customer relations was one of the strongest points of the program."

Each affiliate could account for increased activity in its accounts. Lee W. McNorton, president, Boatmen's, North St. Louis County, said, "The mannequins, dressed in the warm-up suits, jackets and polo shirts, resulted in walk-in customer interest. The success of the program for us basically was obtained from existing customers who brought in funds from S&Ls."

Boatmen's, West County, had a par-

ticularly good response from its premium promotion. "We have quite a few sports figures banking with us and the promotion seemed to fit well for our area. We actually have a community of middle- to senior-management types of customers and this created a sizable demand for the warm-up suits," said Wayne Thomas, president.

The banks all agreed the premium campaign was successful enough to repeat. Boatmen's National, St. Louis, offers assistance in setting up premium programs for its correspondent customers.

Even the football players commented on the game plan: "The program was quality throughout. The jackets, shirts and warm-up suits were top quality. The bank visits gave us the opportunity to talk with the fans. Like the TV commercials say, 'Boatmen's, a better way.'" ●●

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# Fund Run Raises Cash, Goodwill

**I**N WHAT probably was the first officer-initiated bank run in history, Guaranty Bank, Alexandria, La., created a stampede of more than 300 customers and city residents — and raised more than \$1,000 for the Rapides United Givers (RUG). The bank run was so successful, in fact, that two of the other three banks in town showed their support by entering, and Guaranty Bank hopes to make it an annual event.

The First Guaranty Bank RUG Run was a two-race, running/jogging fund raiser thought up by Lawrence W. McIntosh, bank president and RUG cochairman. Entrance fees of \$1 a mile for the one- or four-mile race were donated to RUG, and the bank printed bright-orange T-shirts for runners

showing the bank name with a smoking tennis shoe above it. The route went through downtown Alexandria, an area the bank is helping to revitalize and the location of its main office.

Serious runners and those who had never run before entered the race. Some “contestants” feet never even touched ground, like the one-year-old baby who “ran” strapped to her father’s back or the woman who said she was running for two and finished both races (she was six months pregnant). Trophies were awarded to winners in eight age categories, and runners also had the chance to win merchandise in a drawing.

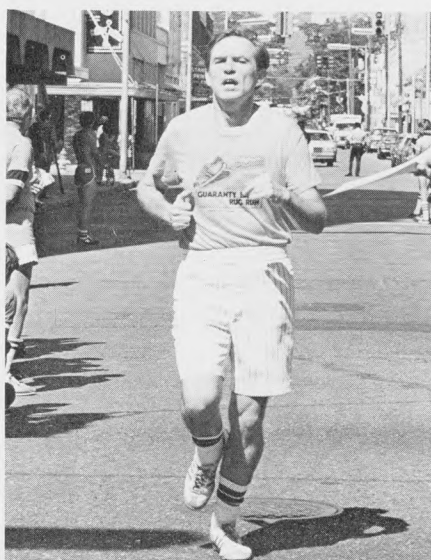
Community goodwill was an important goal of the race. Volunteer ambulance drivers patrolled the course; vol-

unteer policemen missed the first day of squirrel season to help with traffic control, and 30 bank employees gave up their Saturday mornings to help. Guaranty Bank, Rapides Bank and First Bank of Pineville cooperated to make the run “just what Alexandria needed — an activity to bring people together.”

The race took two months of planning and organizing. Besides retaining an “expert” from the local athletic equipment store to monitor the race with timers at every mile and people to ensure safety, Guaranty Bank had to check with the Missouri-Pacific Railroad schedule, whose tracks had to be crossed twice. It also had to schedule the run during a Louisiana State University football open date as a courtesy



. . . The family: Mrs. H. J. Bonnette Jr. and H. J. Bonnette Sr., wife and father, respectively, of H. J. Bonnette Jr., a.v.p., Guaranty Bank, Alexandria, La. . . .



. . . The competition: Charles Barber, s.v.p., Rapides Bank, Alexandria, La. . . .



. . . And the competition’s baby: Anne Denley, with mother, Val, and father, Wayne, a.v.p., First Bank, Pineville, La.

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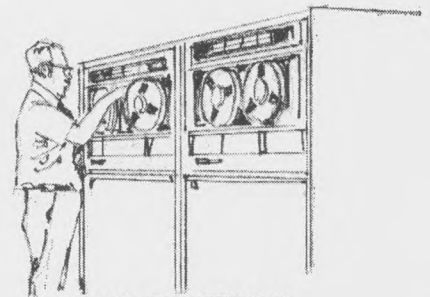
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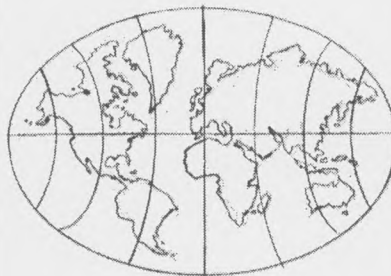
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## ...and

Express Pac<sup>®</sup> from American Express is a simple, efficient system for selling travelers cheques. A study conducted by Arthur Young & Company showed that Express Pac can save time and trouble for both you and your customer.

### Express Pac can cut transaction time in half.

Express Pac is an innovative pre-counted, color-coded system that speeds up and streamlines the whole process of selling travelers cheques.

The color-coded envelopes, prepackaged in convenient multiples of \$50, enable the seller to quickly select the proper denomination and number of cheques

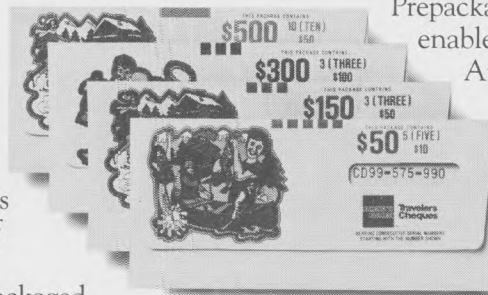
required, completely eliminating the need for assembling and counting loose cheques.

### Shorter selling time—shorter lines.

Prepackaged cheques and pre-numbered forms enable tellers to serve your customers faster.

And Express Pac cheques are designed to be signed away from the window, which means your customers can sign their cheques without the time pressure of lines, while your tellers get on to the next customer. Altogether, Express Pac efficiencies can cut your transaction time by 50%—which frees

valuable teller time and results in shorter, faster-moving lines. So, customers can get in and out of the bank faster.



# American Express of travelers cheques



## short lines.

### Express Pac leaves little room for error.

Prepackaging eliminates cheque-counting errors, while preprinted Purchaser's Applications do away with recording errors by eliminating the need for the seller to fill in cheque numbers. The preprinted form also reduces calculation errors. So Express Pac helps cut down on costly reconciliation and correction.

### Express Pac can speed up the whole process—from front window to back office.

The Express Pac system offers automatic replenishment of inventories and supplies. And early indications suggest

that audits and reconciliations are easier and faster with Express Pac, compared with loose cheques. In many cases, Express Pac may also reduce reporting and exceptions handling problems.

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AMERICAN EXPRESS TRAVELERS CHEQUES

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\$20 CHEQUES		
\$100	\$200	
FIVE \$20 CHEQUES	TEN \$20 CHEQUES	
\$50 CHEQUES		
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THREE \$50 CHEQUES	FIVE \$50 CHEQUES	TEN \$50 CHEQUES
\$100 CHEQUES		
\$300	\$500	\$1000
THREE \$100 CHEQUES	FIVE \$100 CHEQUES	TEN \$100 CHEQUES

BE SURE TO SIGN YOUR CHEQUES BEFORE LEAVING THE PREMISES.

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to Tiger fans, but later found the run fell on the opening Saturday of squirrel season, a day when 200,000 hunters would be combing the woods.

Despite the seeming hardships, runners were not deterred. Steven Shine, assistant vice president, marketing department, said, "Next year we hope (the race) will be bigger and better."

Bank officials, who sent race results and a postage-paid, comment/critique card to each runner, were impressed by a 30% mail response within a week, most runners commenting on the race's first-class organization. "All we had to do," some runners said, "was show up and run." ●●

## Small Merchant

(Continued from page 27)

Central's HandyCharge is designed to replace profits lost when service-charge rates to merchants on credit cards are reduced, while, at the same time, allowing Central to collect on the extra profit available through private-label cards.

"The private-label deposit is 100% Central's," explains Mr. Shannon. "Credit-card holders are all ours, and the merchants are all ours. We don't lose any of our earnings through having to share service charges with any other financial institutions.

"Also, because we can bypass Interbank (Master Charge) and Visa volume charges, we can make more money percentage-wise on a private label."

Central's HandyCharge also will be used as a merchandising aid to build business. Besides the merchandising programs already mentioned, Central hopes to gain credit-card business and future demand-deposit-account customers through exposure to the HandyCharge program.

As Mr. Shannon says, "In two years, if we have another 100,000-150,000 account holders — most of them not being customers of Central Bank, but carrying a Central Bank plastic HandyCharge — many avenues for cross-selling will be open to us."

This may be done by striping the HandyCharge card for use in Central's HandyBank ATM. Another possibility is to offer to qualified card holders pre-approved loans up to a certain amount and boost the banks' installment loans. As Mr. Shannon sees it, these services should attract customers

to Central simply by giving them exposure to all benefits.

"I think we would run into problems if we tried to force checking accounts on these merchants' customers," Mr. Shannon continues, "but providing some service such as emergency cash from a Central Bank ATM has a little different ring to it." Mr. Shannon sees this "passive marketing" as being a key to rapid growth in two or three years.

He reports that the computer program has been proved and tested, and that by the time the Christmas season arrived, the program was on solid ground. Mr. Shannon adds that a March or April, 1979, target date had been set for absorbing any kind of growth, and that goal is being reached. The program is aimed only at Alabama now, but, in the next few years, it's planned to spread it throughout the Southeast. The problem, as Mr. Shannon explains it, is not in converting merchants, but in processing new accounts. The program cannot be over-sold because only so many accounts with so many persons can be converted, and it's a slow process.

Both Mr. Shannon and Central have high expectations for the program. Since its inception last June, its volume has grown rapidly and is expected to triple within the next two years.

"We feel we're going to reach a plateau of credit-card outstandings around the \$40-\$50-million range in our marketing area," says Mr. Shannon. "HandyCharge's private-label volume will provide Central with the opportunity to continue healthy growth."

Although a bank in Mobile offers private-label billing at the local level, Central is the first bank in Alabama to offer the private charge on a statewide basis, according to Mr. Shannon. At present, its main competition comes from G.E.C.C. and Citicorp in New York City, but, he believes Central's unique "extras" will make the difference in Alabama and the Southeast.

"Our strategy," he says, "is to offer the merchant more than we feel other banks will from a merchandising standpoint. If we can offer a retailer's customers more services, the retailer benefits from having gained a more loyal and satisfied patron. Hopefully, both of them are going to want to do more business with Central Bank."

Mr. Shannon describes HandyCharge's results to date as successful and says Central is optimistic about the program's future. He believes it's an effective, direct route to the retail-merchant trade and will have a significant impact on the market. ●●

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# Banking Leaders Reach Consensus On Fed Membership/Reserve Issue

**T**HE NEARLY 400 participants in the ABA's Banking Leadership Conference last month in Washington, D. C., reached the consensus that the paramount needs in connection with the Federal Reserve issue are: to ensure the continued existence of an independent and effective American central bank; to support the institution of uniform and lower reserve requirements for Fed-member banks both to help improve the Fed's ability to conduct monetary policy and to reduce the burden of Fed membership; and to

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**To meet the particular needs of small banks, said the banking leaders, and to encourage them to remain Fed members on a voluntary basis, at least a portion of Fed members' reserve balances should produce earnings. They arrived at a method of achieving these dual purposes.**

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cooperate in actions designed to assist the Fed in combating inflation and in coping with today's currency and geopolitical instability.

The bankers applauded congressional initiatives in the areas of lowering required Fed reserve levels, providing uniform reserve levels within the Fed's membership and allowing the Fed to gather information it needs from all depository institutions for the conduct of monetary policy. They also expressed support for explicit pricing by the Fed of its services to member banks, as well as the Fed's proposal to use earnings-participation accounts to provide a return on Fed-members' reserve balances.

A program to improve monetary policy, they said, should incorporate a strong support for the principle of voluntary Fed membership as the essential bulwark of the Fed's independence, continued support of the federal-state dual-banking system and a constructive response to the need for

a monetary improvement program under the Fed's auspices.

To provide an incentive to banks of all sizes to remain members of the Federal Reserve System by reducing the burden of membership, existing Federal Reserve required reserve levels should be reduced substantially, according to these banking leaders.

To meet the particular needs of small banks and to encourage them to remain Fed members on a voluntary basis, at least a portion of Fed members' reserve balances should produce earnings, the banking leaders declared.

To achieve these dual purposes, the banking leaders called for a collective effort to support the thrust of previous proposals to reduce existing burdens of Fed reserve requirements and to provide some form of earnings on reserve balances maintained with the Fed.

Specifically, lower, more flexible and uniform — not graduated — reserve ranges should be set as follows for Fed member banks:

Demand deposits: 1-10 %

Savings deposits: 1-3 %

Short-term time deposits: 1-6 %

Long-term time deposits: No Reserve Requirements (over 179 days)

It is recognized that monetary policy and fiscal concerns may govern implementation of such changes. These reserve requirements would apply to Fed member banks only, and for those banks there should be no exemptions from reserve requirements based on deposit sizes of banks. Deposits in NOW accounts should continue to be treated as savings deposits for the purpose of setting reserve requirements.

While expressing the belief that the Fed has the authority to pay a return on reserve balances, the bankers said Congress should confirm that authority. The Fed should establish and put into effect immediately earnings-participation accounts at the Fed's portfolio rate on the first \$10 million of each member bank's reserve balances. Participation in such earnings-participation accounts covering balances in excess of \$10 million should be con-

sidered when monetary, economic and other factors make such action desirable.

Earnings on Fed member banks' reserve balances constitute nothing more than returning to the banks a portion of the \$1.5 billion the Fed earns annually on the currently sterile reserve funds those banks are required to keep with the Fed. The banking leaders asserted that new competitive factors compel Fed-member banks today to seek some compensation for the value of their reserve balances.

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**Banking leaders agree that the Fed should be granted authority to collect through appropriate regulatory and supervisory agencies current liability and asset data needed for monetary-control purposes from all depository institutions.**

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This is particularly necessary for smaller Fed members.

Support for the concept of explicit pricing of Fed services was reaffirmed by the banking leaders. However, pricing of Fed services should not be put in place until Fed members' reserve burdens have been reduced and minimum return paid on reserve balances as described above, and until the full costs of the Fed's non-monetary services are reflected in its pricing schedule with adjustments to include all real-life factors that affect pricing by the private sector, but which do not affect the Fed.

The consensus of the banking leaders was that the Fed should be granted authority to collect through appropriate regulatory and supervisory agencies current liability and asset data needed for monetary-control purposes from all depository institutions.

Bankers who participated in the Banking Leadership Conference to set a policy for the ABA on the Federal Reserve issue constituted a cross-section of banking, representing banks



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Preceding this conference were a series of meetings and other activities initiated by the ABA starting nearly a year ago as a major effort to focus all its energies and resources on the Fed question, which is of fundamental importance to every bank in the nation and which reaches beyond banks to the roots of monetary policy and the nation's economy.

Meetings were held throughout the country and involved the ABA's governing council and government relations council, nearly every banking professions division, most of the state associations, community bankers whose deposits are \$100 million and less, large non-Fed-member banks, agricultural bankers, correspondent bankers and economists from banks, academe, regulatory agencies and Capitol Hill.

In addition, the ABA took the first in-depth look that has been taken not only at the impact of the pricing of Federal Reserve services but, also at the impact of pending legislative proposals having to do with the Fed, as well as at the changes such pricing and

new legislation would combine to bring about. This analysis was made in a study commissioned by the ABA and conducted by Abt Associates, Cambridge, Mass., and Arthur Andersen, Washington, D. C. Information produced by this study was one of the major elements of last month's Banking Leadership Conference. ••

#### McLean Elected President Of Federal Advisory Council

J. W. McLean, chairman, Liberty National, Oklahoma City, has been elected president of the Federal Advisory Council.

The Federal Advisory Council is



McLEAN

composed of 12 CEOs of Fed-member banks, each representing one of the 12 Fed districts. Mr. McLean is in his third year of service for the 10th District, which includes Kansas, Colorado, Nebraska, Oklahoma and part of Missouri. The council meets at least quarterly with the Fed's seven-member Board of Governors to review business conditions and advise the board concerning the nation's monetary and credit policy.

Other MID-CONTINENT-area council members are: Roger E. Anderson, chairman, Continental Illinois National, Chicago; Clarence C. Barksdale, chairman, First National, St. Louis; James D. Berry, chairman, Republic of Texas Corp., Dallas; and Frank A. Plummer, chairman, First Alabama, Montgomery.

## Retail Viewpoint

(Continued from page 28)

The bank is located in an "exclusive" part of the city, serving Ladue, Frontenac and Clayton and some of its banking services reflect the market: three kinds of travelers checks, three kinds of currency exchanges, larger safe deposit space for customers with oversized storage problems and a bill-paying service for customers who leave the country for extended lengths of time.

Since the survey, however, the bank experienced high employee turnover and a lapse in training seminars. To maintain its level of excellence, the bank wanted a program that would emphasize customer relations.

It's not that employees don't like being helpful, said Messrs. Nathan and Prager, they just don't know how. Retail Associates used discussions, overhead projectors, role playing and participant-involvement techniques to teach County Bank employees how to communicate with customers. The sessions were held in mid-afternoon, after teller balancing, and were made up of about 20 customer-contact personnel from all banking departments. The goal of each session was to develop employee confidence, which could be used to better sell the bank's services. "We tried to get employees to take the 't' out of teller and put in an 's,'" said Mr. Nathan. ••

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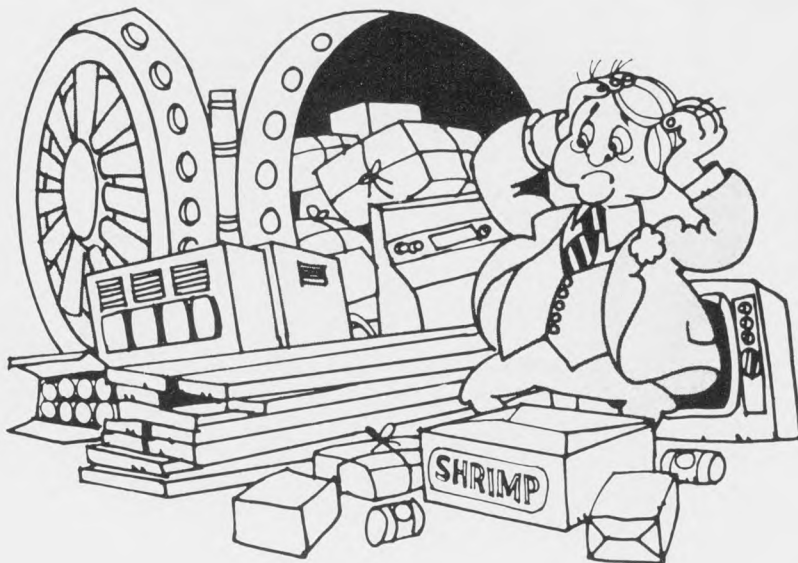
(Continued from page 8)

jointly endorsed check in his own account. In this latter-type situation, the embezzler's forgery of the client's signature and conversion of all of the proceeds closely resemble the legitimate handling by a reputable lawyer when the check is deposited in the bank.

Distinguishing the real from the phony challenges the ingenuity of the wary banker. Most settlement checks are for amounts that require an officer's

scrutiny and verification. The best verification is checking and clearing with the payees. Knowing customers also is important in this situation.

Remember: *Any signature affixed in a representative capacity now has no legal standing unless supported by proper documentary authority.* Lawyers are not exempt. Reputable lawyers will be most circumspect in following proper procedures; deviations indicate potential trouble. Watch for these indications — avoid trouble later. ••



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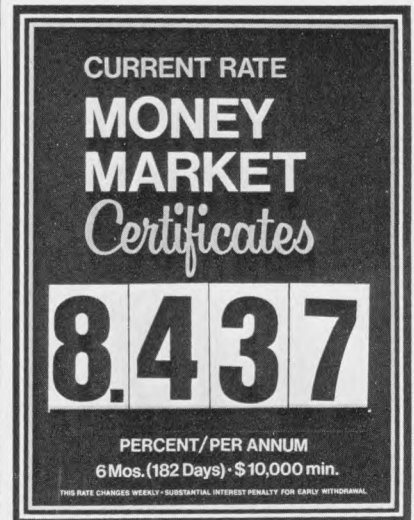


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### New Certificate Sign

A new "money market" certificate sign now is available to banks. It was designed for use on counters, desks, walls or windows and includes a full set of changeable numerals for posting the weekly rate of six-month, T-bill certificates.



The all-metal unit is fabricated from durable, light-gauge aluminum and measures 11x14 inches overall. It's supported by a metal easel and is screened in a black, gold and white combination. Changeable numeral chips — about 2x3 inches each — are magnetized metal and printed black on white. The sign kit includes the sign, metal easel brace and 36 numbers (0-9 plus decimal-pointed numerals). The sign's designers say the figures are inserted easily into a guide bar on the sign's face.

Write: Guild Associates, Inc., Financial Advertising, 111 West Lockwood, St. Louis, MO 63119.

### Develop Resources:

#### Energy Report Offered Banks By Comm'l of Little Rock

Commercial National, Little Rock, announces the availability of its eighth national advisory board report, "Energy: A Challenge to Survival."

The report stresses development of all potential energy resources, including nuclear, if the country is to lessen its reliance on foreign oil.

Advisory board members are native-born Arkansans who have become leaders in the country's major businesses, religions and educational institutions.

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## Some Questions and Answers On Community Reinvestment Act

**A**LTHOUGH the Community Reinvestment Act (CRA) went into effect last November 6, and banks had to have their CRA statements available by February 4 of this year, there probably still is much confusion about this new regulation. Therefore, banks should welcome a series of questions and answers on the CRA published recently by the four federal supervisors of financial institutions responsible for enforcing the act. These agencies are the Comptroller of the Currency, FDIC, Fed and Federal Home Loan Bank Board.

The agencies emphasize that these questions and answers should not be taken as official interpretations. Their purpose solely is to be helpful to financial institutions and to the public by providing useful background information.

An accompanying statement signed by officials of the agencies provided financial institutions with policy guidance on the general manner in which they should address their responsibilities under the CRA. Agency officials said: "In carrying out their responsibilities under the CRA, financial institutions should focus on the spirit of the legislation and try to avoid narrow, legalistic interpretations of the legislation or the regulations. The agencies believe that the financial institutions, relying on their own resources, are capable of complying with requirements of the regulation."

Here are the questions and answers:

1. What does the term "office" mean as used in the regulation?

*Answer:* Office refers generally to a facility of an institution that accepts deposits, including an electronic-deposit facility. It does not include purely administrative offices, agencies, loan production offices or facilities used, for example, only for the check-collection process. In delineating a local community, however, an institution need not take into account shared electronic-deposit facilities, unless otherwise directed by the appropriate agency.

2. What is meant by "local community," and how detailed a map should be used to portray it?

*Answer:* The term "local community" used in the regulation refers to the contiguous area surrounding each office or group of offices of an institution. While it is recognized that the geographic areas served by an institution may vary with type of service, only one local community is to be delineated for a particular office or group of offices. Any map that depicts an institution's local community or communities with reasonable clarity may be used. It need not, for example, be a detailed map showing each street in the community, nor need it be professionally prepared by a cartographer. Low- and moderate-income neighbor-

hoods should not be specifically indicated on the map. The community delineation, however, must not unreasonably exclude such neighborhoods. An institution having several local communities may delineate all of them on one map. It's important, however, that each local community comprising the entire community be delineated with sufficient clarity so that it can be readily determined which areas are being included in those local communities. If the entire community is made up of more than a few local communities or the local communities are separated by significant distances, it may be easier and clearer to use a separate map for each local community. Furthermore, there's no requirement that locations of the institution's offices be shown on the maps.

3. How should an institution deal with low- and moderate-income neighborhoods in its local community delineation?

*Answers:* The CRA regulation requires that low- and moderate-income neighborhoods not be unreasonably excluded from a delineation of the local community. As the preamble to the regulation states, "Institutions are expected to be generally aware of low- and moderate-income neighborhoods within their community, without undertaking extensive research." No attempt need be made to distinguish between low-income neighborhoods and moderate-income neighborhoods. If institutions desire further information about low- and moderate-income neighborhoods, they should consult such sources as: guidance given examiners on page 12 of the agencies' joint CRA examination procedures released November 22, 1978, and state and local community development and planning agencies.

4. What should be included in a CRA statement?

*Answer:* At a minimum, an institution's CRA statement must include for each local community: a. a map delineating that local community; b. a list of types of credit it's prepared to extend in that community; and c. a copy of the Community Reinvestment Act notice provided for in the regulation.

Also, at least annually, an institution's directors must review each CRA statement and act on any material changes in a statement at the board's first regular meeting after the change.

In addition, each institution is encouraged, but not required in its statement to: a. describe how its current efforts help meet community credit needs; b. report on its record of helping to meet community credit

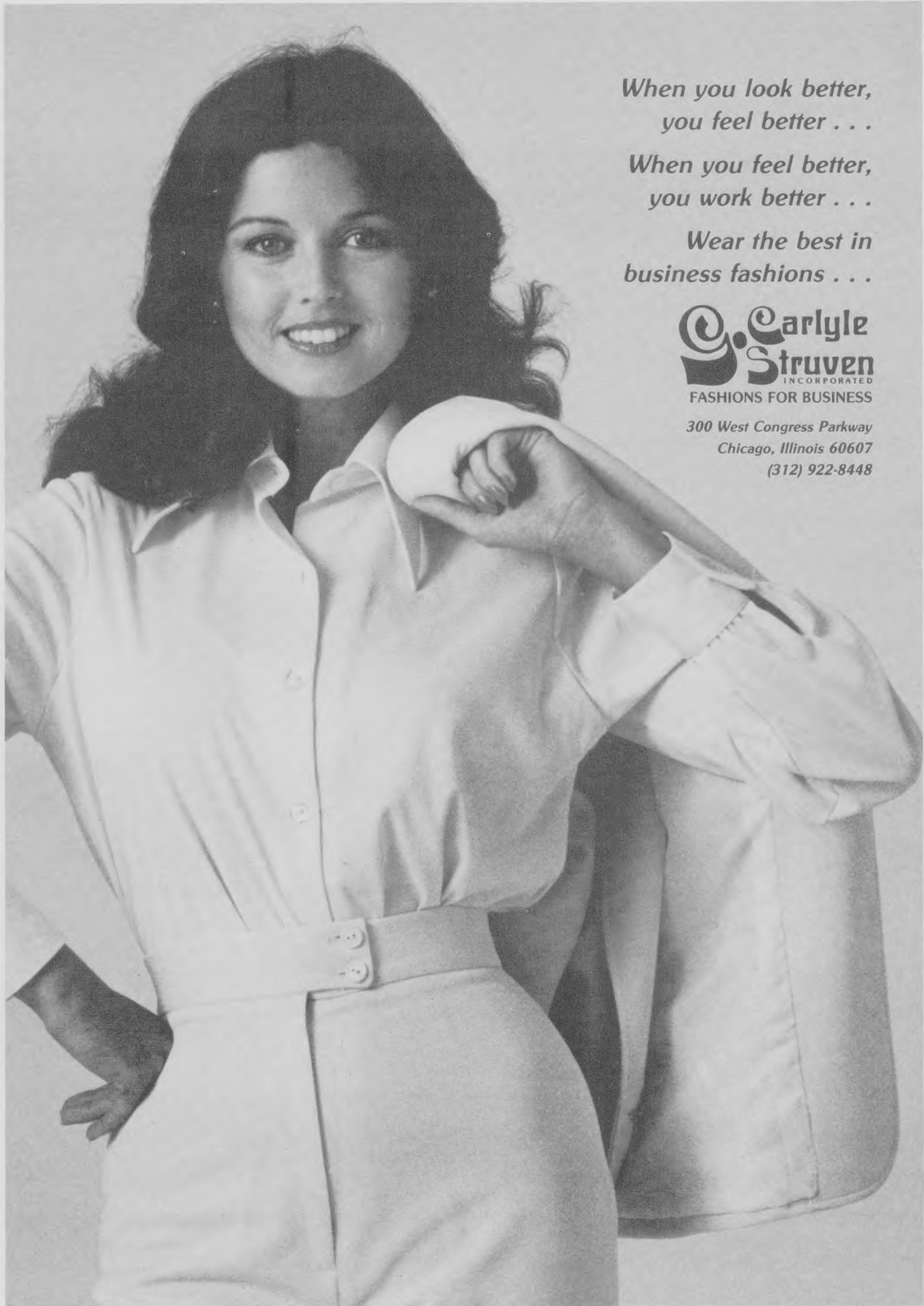
### Urban-Action Workshop

ST. LOUIS — The ABA will sponsor a workshop here April 1-2 on planning and implementing local community development and rehabilitation projects. Its theme will be "Community Reinvestment Techniques — a How-to Workshop for Bankers." The workshop will be held in the Sheraton St. Louis Hotel, which is a major part of a 16-block Convention Plaza downtown rehabilitation project now in progress here.

"In light of the Community Reinvestment Act, which focuses on the role of banks in meeting local community credit needs," says ABA President John H. Perkins, "the workshop will be structured to give bankers an insight into urban reinvestment techniques, including those for low- and moderate-income neighborhoods." Mr. Perkins is president, Continental Illinois National, Chicago.

The workshop will use the CRA as a starting point in a program that will demonstrate innovative techniques for leveraging private resources for community development. Comptroller of the Currency John G. Heimann will speak on regulators' expectations of bank performance under the CRA.

The "how-to" sessions will focus on specific case studies, such as the NCNB Community Development Corp. in Charlotte, recently approved by the Comptroller for North Carolina.



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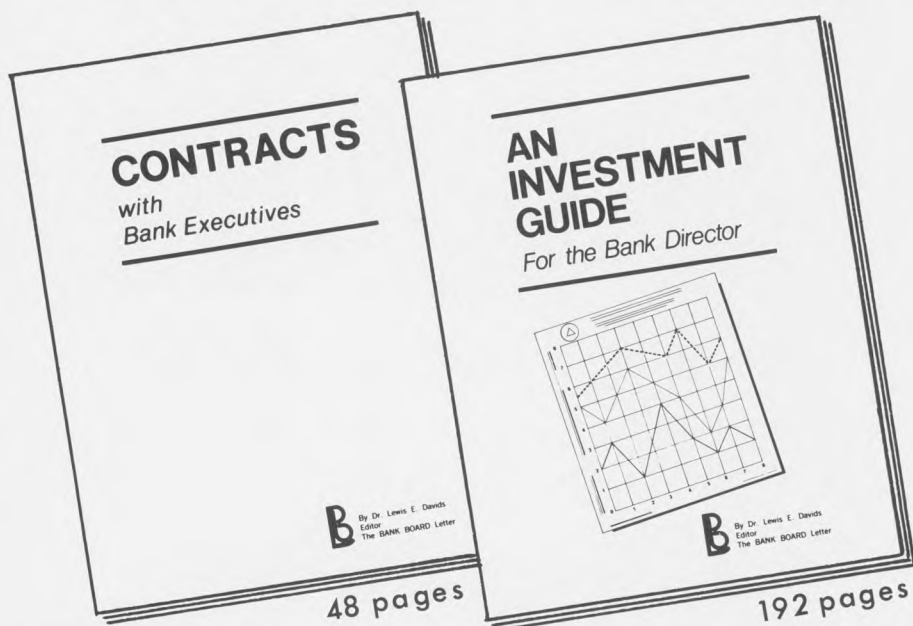
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In this 192-page manual, the author discusses the merits of directors paying closer attention to the investment policies of their bank.

It is normal, says the author, for the board to more closely scrutinize loan transactions since these occur more frequently and represent the bank's primary earning power.

Yet poorly thought out and executed investment policies often can place a bank's capital in jeopardy, particularly when the bank is forced to liquidate investments during a period of rapidly rising interest rates. The alternative, of course, is to "ride out" such periods, making few if any new loans in the community.

Should the board "intrude" upon the management prerogatives of the CEO in the administration of the investment portfolio? Not at all, says the author. However, a written policy, carefully structured around the bank's deposit structure and loan demand, can be comforting during rising (or falling) interest rates. This becomes increasingly evident, says the author, when such a policy not only is followed but is carefully "fine tuned" as liquidity and investment yields are related to economic swings.

As an aid to management and the board in reviewing present investment policies — and perhaps establishing more formal guidelines — the author presents numerous investment and portfolio management policy statements presently in use by recognized well-run banks.

Also presented: a bibliography of recommended reading on the subject, plus excerpts from the Comptroller's manual on regulations and rulings in regard to bank investments. These interpretations (also valuable to state banks), while available elsewhere, are placed together in this same volume for handy reference by the director as he peruses the intricacies of bank investment policies.

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tend for periods of five years and, because of this, contracts call for careful construction.

This manual discusses the role of the bank board's Compensation Committee in determining the nature of such contracts. The author suggests strongly that "performance" of the executive can and should be the key in rewarding the executive. Charts and worksheets are included to help the committee arrive at a reasonable contract that includes fair and equitable "perquisites" as motivating factors for the bank executive.

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Dear Mr. Payne:

We were greatly impressed by the promotional package made available to our customers thru your studio. We were astonished by the response as it greatly exceeded our expectations. As you recall, we received the daily hours each day and we used these more days than we had anticipated.

We especially appreciated the courtesy extended, not only to our bank, but to our customers by your studio and your staff.

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Sincerely yours,  
*Richard Hume*  
Richard Hume  
Branch Vice President

RH/jmc

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347-2466

January 21, 1976

Mr. Fred Payne  
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Dear Fred,

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It's been a pleasure working with you and your staff.

Sincerely,  
*Michael C. Frederick*  
Michael C. Frederick, Vice-President & Branch Manager  
North Harrison Branch, Coydon State Bank

MCV/jaa

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Mr. William C. Lacy  
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2606 Dixie Highway  
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Dear Mr. Lacy:

I am writing to express the satisfaction of the American State Bank with your firm's family photograph program.

We have received many compliments and expressions of thanks from our customers in reference to the program. Many were especially pleased with the quality of the photographs.

It was certainly a pleasure to be associated with you and Bel-Air Studios and to be able to serve our customers with a quality product through our association. It is our hope that we will be able to offer the program again this year with equal success.

Tours very truly  
*M. C. McCullough*  
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December 10th, 1976

Mr. Fred Payne  
Bel-Air Studios  
2606 Dixie Highway  
Louisville, Kentucky 40216

Dear Fred,

We at First Federal Savings and Loan Association would like to thank you for the excellent job you and your employees performed while working with our Association. Needless to say, they were all professionals in their field.

We look forward to working with your company again in the future.

Should you ever want a recommendation, please feel free to call on me.

Thank you again, for a job well done.

Sincerely,  
*Wayne Wells*  
Wayne Wells  
Vice President

MJ:jh

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needs; and c. describe its efforts to ascertain community credit needs, including communication with community members on this subject.

5. How specific a list of types of credit offered in a local community is needed for the CRA statement?

*Answer:* Each type of credit the institution is prepared to extend in its local community should be listed. The regulation indicates that greater specificity is desired with respect to residential mortgage and housing rehabilitation loans and loans to small businesses and farms. In these general categories, sub-categories, such as "residential loans for one-to-four dwelling units," "residential loans for five dwelling units and over," should be used.

6. If an institution is prepared to offer particular types of credit only at some of its offices in a local community, should those types of credit be listed on CRA statements of all of its offices in that community?

*Answer:* Yes. Because the institution is willing to extend that type of credit to any credit-worthy borrower in the community, the institution should list the types of credit on the CRA statement of each office even though a prospective borrower at one office may be referred to another when seeking to make application. The institution should bear in mind, however, that public complaints may arise because of such practices; and the agencies will have to make a judgment as to whether the practice significantly discourages applications for such credit or otherwise adversely affects the institution's CRA performance.

7. What is a "small" business or farm?

*Answer:* For CRA purposes, the term "small" refers to the absolute size of the business and farm rather than the relative size in their industries. Because a major concern of the CRA is that all credit-worthy borrowers have reasonable access to loans from banks and S&Ls, small businesses and farms generally are viewed as those without access to regional and national credit markets. Put another way, small businesses and farms are those that must rely on their local lending institutions for credit.

8. How should past CRA statements, current CRA statements and public-comment files be made available to the public in each office of an institution, particularly an institution that has offices in more than one local community?

*Answer:* An institution that has offices in more than one local community

should maintain current CRA statements for all its local communities at its head office and current CRA statement for each local community in each office of the institution in that local community, except off-premises electronic deposit facilities.

Any CRA statements that were in effect during the past two years should be retained with the public-comment letters in the public-comment file. A comment file for the entire institution must be maintained at the head office, and a comment file pertaining to a particular local community must be retained at a designated office in that community.

9. Are all signed, written CRA comment letters to be placed in the public comment file?

*Answer:* Regulations say that the institution must put all signed, written comments relating to the CRA statement or to the institution's performance in helping meet community credit needs into a public file. The only exception to this is comments that reflect adversely on the reputation of any person or that would violate a law. The institution must use its own judgment, both as to what letters relate to its performance in meeting community credit needs and as to what comments

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**The (CRA) notice must be placed in the public lobby of the financial institution, but there are no specific requirements relating to size and placement . . . the rule of reason must apply depending on the form of the notice.**

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might reflect adversely on a person's reputation. Signed, written comments excluded from the public file because they might harm a person's reputation should be retained in a nonpublic file for inspection by the examiner.

10. If a letter is addressed in part to an institution's overall CRA performance, but contains some information harmful to an individual or violates a law, should the institution withhold the entire letter from the public file?

*Answer:* The institution may do so. Alternatively the statement(s) that reflect adversely on an individual or violate a law may be deleted from a copy of the letter and the balance of the letter included in the public file. In any event, the entire original letter should be retained for the examiner's inspection.

11. Under what circumstances will comments about an institution's CRA

statement(s) or performance in helping to meet community credit needs and/or the institution's response(s) be made public?

*Answer:* Any signed, written comment received by a financial institution that's placed in the public-comment file will be available for any interested person and the CRA examiner to inspect. Comments received by a supervisory agency will be on file at the agency. These comments are available to members of the public and financial institutions unless exempted from disclosure under the Freedom of Information Act.

12. Is the institution obligated to respond to any or all comments received from the public?

*Answer:* There's no requirement that the institution respond. However, the financial institution may find it helpful to respond to certain comments in order to foster a dialogue with members of the community or to present relevant information to the regulatory agency. If an institution responds to a letter in the public file, the response also must be placed in the public file unless it reflects adversely on any person or violates a law.

13. Are there any requirements relating to size and placement of the Community Reinvestment Act notice?

*Answer:* The notice must be placed in the public lobby of the financial institution, but there are no specific requirements relating to size and placement. The agencies believe the rule of reason must apply depending on the form of the notice. For example, if the notice is provided in the form of a poster, the poster must be placed within the lobby where it likely will be seen by customers and be of sufficient size to be read easily from the distance at which it normally will be viewed. If the notice is provided in the form of a flyer, a supply of such flyers printed in easily read type and placed where they likely will be noticed will suffice. The notice requirement also may be satisfied by making the CRA statement, which includes the notice, available as a brochure in the lobby and placed where it will be noticed.

14. What information and avenues of communication are available to members of a community who are concerned about the performance of financial institutions in their community?

*Answer:* Financial institutions are being encouraged to communicate with members of their community. The CRA regulation requires financial institutions to make available to the public their "CRA statement." The



statement contains a map showing the boundaries of the local community delineated by the institution and lists the types of credit the institution is prepared to extend to members of the community. The statement also contains a copy of the "public notice" that all financial institutions must have in their offices. The public notice states that members of the public may write to the financial institution or the appropriate regulatory authority concerning the institution's performance in helping to meet community credit needs. Members of the community also may review letters from the public received by a financial institution regarding such performance.

Announcements of CRA-covered applications may be obtained by writing to an institution's supervisory agency. Anyone may comment on the filing of an application covered by the CRA by writing to the appropriate supervisory agency listed either in the applicant's newspaper notice or its CRA notice. Agencies have varying comment periods for applications. Therefore, any questions regarding

the comment period should be directed to the regional office of the appropriate agency. Comments received within the appropriate period will be considered by the agency in the applications process.

15. Will an institution be required to document that it's actually extending types of credit listed in its CRA statement as being offered in the local community?

*Answer:* CRA regulations do not require any documentation beyond the public-comment files. Examiners, however, will review information required to be maintained under any applicable fair-housing regulations, loan registers if required by the agency and application files required to be kept under the Federal Reserve Equal Credit Opportunity regulation and housing loan statements prepared under the Home Mortgage Disclosure regulation. Examiners also will use other available materials (such as advertising copy) to determine if the institution is offering in good faith to extend types of credit it has listed on its CRA statement. ●●

in resolving his complaint. For example, "I can appreciate your feelings about this. Let's see what can be done to take care of this."

2. *Clarify the Complaint.* If a complaint is stated in unclear or incomplete terms, the next thing to do is to define it in specific terms so you know exactly what you have to resolve, to get at facts needed to resolve the complaint and to identify likely causes of the complaint so you can recommend a relevant solution. This can involve:

- Asking "open-end" questions that define the complaint and its causes. For example: "What is the nature of the error?" "When did this occur?" "Where do you feel we fell short?" "What do you feel should have been done?," etc.

- Asking to see appropriate documents when the complaint is concerned with a specific transaction. For example: "Let's take a look at your statement to determine what's needed to take care of your concern. . . ."

3. *Listen to the Customer.* As you ask a customer to clarify his complaint, it's absolutely essential to listen intently to get at all the facts needed to resolve his complaint by letting the customer talk out his complaint without interruption or rebuttal. Besides getting at the underlying causes of a complaint, this reduces the emotional intensity of the complaint when the customer perceives you are genuinely interested in what he has to say. It confirms that you "give a darn."

4. *Suggest Solution.* Once a customer's complaint has been defined, the next step is to suggest an appropriate means of satisfying it. Depending on the nature of the complaint, following are several options for accomplishing this:

- *Provide a direct solution* when the solution to the complaint is simple, and you have the facts and the authority to resolve it on the spot. For example — "Here's a simple procedure for helping you avoid overdraft charges in the future. . . ."

- *Defer solution* when the complaint is complex and you don't have an immediate answer, or when it will take added time to research the best solution. For example — "Let me check this out with our credit department to get a precise answer. Let me have your phone number, and I'll get back to you this afternoon." When the solution must be deferred, it's essential that you report back to the customer as promised to maintain his confidence and your credibility.

- *Refer solution* when the complaint is complex and requires

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## Turning Complaints

(Continued from page 26)

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Before examining what this entails, however, let's review briefly some of the more common errors in reacting to complaints:

- *Pass the Buck.* Being on the receiving end of a complaint can be emotionally uncomfortable, particularly when the customer comes at you with a lot of emotional heat. A common reaction is to feel defensive and to shift the heat away from yourself by passing the buck with a statement such as: "That's not my department. Better see so-and-so about that." Unfortunately, this tends to lead to customer frustration rather than satisfaction, since he's not really concerned with who is to blame, but what is to be done. Also, it intensifies the customer's feeling that no one really cares about solving this problem.

- *Alibi the Complaint.* This involves trying to rationalize or justify the complaint by making excuses for the bank's facilities, personnel or other capacities. For example, "It takes time to work the bugs out of a computer" or "We've been having a lot of staff turnover." The fallacy of this type of reaction is that it solves nothing, magnifies the problem in the customer's mind

and reinforces his doubts about your capacity to satisfy his needs.

- *Deny Responsibility.* This involves shifting the blame for the complaint to the customer. For example, "We wouldn't have made that charge unless it was justified. You must have made a mistake in balancing your account." This type of reaction drives a customer right up the wall because it passes the buck back to him, solves nothing and conveys a lack of interest in him and in satisfying his needs.

- *Argue With Anger.* When customers state their complaints in loud, abusive and argumentative language, a common reaction is to respond in kind. Unfortunately, this merely adds fuel to the fire, intensifies the customer's emotions and prevents rational examination of the complaint.

*How to React to Complaints Constructively.* Turning complaints into compliments involves many of the same communications tactics used in resolving resistance examined in earlier articles, since the objective is the same — to repair a communications breakdown and modify the customer's viewpoint. It involves the following:

1. *Empathize With the Customer.* To reduce the emotional pressure associated with most complaints and to reduce the natural inclination to argue, the first thing to do is to react to a customer's complaint with empathy by expressing your interest and concern

specialized facts, know-how or authority to resolve it. When this option is used, you should give the customer a sound reason for the referral, so it doesn't sound like "buck-passing," and you should give background facts to the bank employee to whom you're referring the customer so that quick action can be taken on the complaint.

For example: "I can understand your concern about these late charges. However, to get it cleared up as quickly as possible, let me set up a meeting with Bill Carter of our loan department who can explain them in detail. Let me call ahead and explain your situation, so he'll be able to resolve your questions quickly. . . ."

5. *Follow-up Solution.* To be sure that proposed procedures for satisfying a customer's complaint have been implemented properly, the final step in converting complaints to compliments is to follow up with the customer to confirm that his complaint has been satisfied and that he's now achieving desired results.

In summary, customer complaints are not to be feared or resented. When handled in the constructive manner outlined in this article, they enable you to retain and expand your customer relationships through delivery of ser-

vice that's attuned more precisely to your customer's needs. In our next "Let's Talk Selling" article, we'll discuss how to find the time to plan and execute productive sales calls. ●●

## Wichita's Federal Land Bank Reports Record Lending To Farmers During 1978

Farmers borrowed record amounts of long-term capital from the Federal Land Bank of Wichita during 1978, according to William S. May, the bank's president.

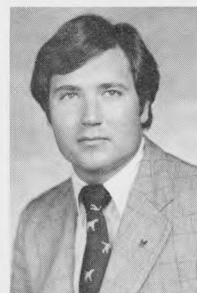
The bank closed 7,026 new loans worth \$479.7 million during 1978. Year-end unmatured principal hit a record \$2.65 billion distributed among 49,169 loans to farmers and ranchers in Kansas, New Mexico, Oklahoma and Colorado.

Rising interest rates charged by many lenders made land bank loans preferable. The Wichita bank held its billing rate to 8¼% for the first six months of 1978 and to 8½% through year-end, compared to many lenders' prime rates of 7¾% in January, 1978, to 11¼% last December.

Because of high money costs, the bank increased the rate charged on

## Jimmy Walden Promoted

Jimmy L. Walden, correspondent/regional banking department, Deposit Guaranty Nat'l, Jackson, Miss., has been promoted to a.v.p. Also named a.v.p. was James H. Rawls, petroleum engineer, petroleum department.



variable interest loans to 9% effective this month.

Land bank loan funds are obtained through sales of Federal Farm Credit system-wide bonds to the public. The Wichita land bank is the first and oldest of the nation's 12 federal land banks, which are part of the cooperative Farm Credit System. The latter is owned by farmers and ranchers who borrow from it through 45 federal land bank associations located throughout the four states. The associations do not receive federal funds.

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# Developing Compliance-Management Program That Is Effective and Cost Efficient

**T**HE SPATE of consumer and civil rights legislation passed during the last decade and attendant publicity given its enforcement might lead the casual observer to conclude that the safety and soundness of banks no longer are the principal function of the financial regulatory agencies. Nothing could be further from the truth. The safety and soundness of our nation's banking system have been the No. 1 priority of the FDIC since its establishment in 1934, and any major shift from this priority is highly unlikely.

The concern and commitment we regulators share regarding a safe and sound banking system cannot be over-emphasized. Nor can such a system be taken for granted in our society; a constant vigil is required. We are alert, therefore, to actions or inactions that threaten the stability or profitability of the financial community.

In stressing the high priority we give to safety and soundness factors, however, I do not intend to understate our commitment to fully and effectively discharge our duties under the various consumer and civil rights laws. Congress has assigned these important responsibilities to us, and we will expend every reasonable effort to carry them out.

To assist you in developing an effective and cost-efficient compliance management program, I would like to share with you some observations on the growth and importance of consumer and civil rights laws, on current issues and problems and on possible future developments. I also will offer some suggestions to help you handle your compliance responsibilities.

The consumer protection movement in this country may have resulted, in large part, from a recognition of the individual's need to cope with living in a highly complex society. At least until after World War II, our lives were fairly simple, with the family as the nucleus around which activity revolved. The typical individual's life cycle included the minimum required education, marriage, children and a job the employee held until retirement. Today, that traditional American family of our youth — working

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

father, mother at home and two children — is becoming less the norm. People are better educated, have a higher standard of living, are more mobile, live longer, have fewer children and pursue diverse lifestyles. These social changes have been accompanied by a change in our attitudes about the quality of our lives. Our expectations have risen substantially. Today, over \$250 billion in outstanding consumer credit attests to our desire to "buy now and pay later." There are not

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**There probably will be a continuation of the recent trend toward more active enforcement of consumer and civil rights laws. These proceedings probably will become more adversary.**

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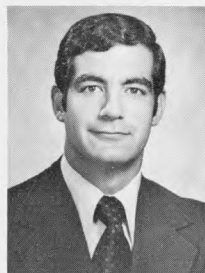
many products or services offered these days that cannot be purchased on credit, thanks to an innovative financial community.

This increase in availability and usage of credit has been accompanied by increased governmental involvement, which has taken two distinct forms. First, there has been a sustained effort to provide consumers with meaningful and understandable disclosure of key information concerning business transactions. The

Truth-in-Lending Act, the Fair Credit Billing Act, the Consumer Leasing Act, the Fair Credit Reporting Act and the Real Estate Settlement Procedures Act are to provide disclosures in the lending process. Other laws have been aimed at eradicating discrimination. Legislation such as the Fair Housing Act and the Equal Credit Opportunity Act protect consumers from having their personal characteristics rather than their credit-worthiness influence the lending process.

Much has been written in the past few years about the costs of this protection. Little information has been available regarding the effectiveness of this legislation until recently. The Fed has just released the results of the 1977 consumer credit survey, an effort co-sponsored by the FDIC and the Comptroller of the Currency. The study found that consumer awareness of annual percentage rates on credit transactions has improved dramatically since shortly before the Truth-in-Lending law was enacted. Not unexpectedly, however, most consumers surveyed showed limited awareness of Truth-in-Lending disclosures beyond the annual percentage rate, finance charge and monthly payment size. In fact, consumers found the Truth-in-Lending Act disclosures complex and difficult to understand or remember. Consumers surveyed believed that the most unfair feature of the credit-granting process was the dollar limitation on credit; they did not feel that personal characteristics such as race, sex or marital status were, in practice, important criteria to lenders. Provisions of the Fair Credit Billing Act were not well known, although a number of consumers surveyed had experienced billing errors. Maybe one surprising result of this survey for regulators was the finding that no consumer surveyed had contacted a federal regulatory agency with a credit complaint.

On balance, survey results help substantiate the beneficial effects of much of the recently enacted compliance legislation. They also indicate that, in some respects, this legislation is not achieving its intended purpose and



William M. Isaac gave the talk on which this article is based at the ABA's national management conference on consumer compliance in Miami.



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may, in fact, be counterproductive. It is important that we recognize that these laws impose substantial costs on the financial community and that these costs ultimately are borne by consumers. This makes it imperative that we continually re-evaluate these laws and search for less costly and more effective ways to achieve our objectives.

*Current Issues in Compliance.* Costs and benefits of consumer legislation are only two of the current issues in compliance. New Truth-in-Lending enforcement guidelines and the Community Reinvestment Act share the limelight as compliance issues of current interest to bankers.

The growing concern of the financial regulatory agencies regarding the extent of noncompliance with Truth-in-Lending finally culminated in the recent adoption of uniform enforcement guidelines. Truth-in-Lending violations that have resulted in customer overcharges will require reimbursement to the consumer as the principal corrective action. These violations include understatements of the annual percentage rate or the finance charge and nondisclosures or improper disclosures relating to certain nonfinance charges.

The guidelines present a number of difficult legal and policy issues, and they were the subject of a good deal of debate before being adopted by the five federal agencies. We recognize the complexity of Truth-in-Lending and the burden it imposes on banks, particularly smaller institutions. However, for banks with an insignificant number of technical violations due to mistake or oversight, corrective action under the guidelines should not be cause for concern. On the other hand, where a pattern or practice of noncompliance is demonstrated, corrective action will be necessary and could be costly to the bank concerned.

*Community Reinvestment Act.* Since all banks have just completed Community Reinvestment Act statements, the CRA is quite germane for discussion. As you are aware, the CRA requires regulatory agencies to encourage regulated financial institutions to help meet credit needs of their local communities, including low- and moderate-income neighborhoods.

The CRA statement is central to demonstrating your good-faith effort to comply with the spirit of the CRA. Each bank's senior management and board should be actively involved in the CRA effort. The CRA requires banks to continually examine their communities and to consider ways they can meet their communities'

credit needs most effectively, consistent with safe and sound banking practice. A good-faith effort to make this assessment, which frequently will include new and more effective lines of communication with members of the community, may result in uncovering excellent business opportunities previously overlooked. It would be a mistake for banks to focus too much attention on the technical aspects of the CRA or to treat the CRA process as merely an extension of their advertising budgets.

This good-faith effort on the part of banks to comply with the spirit of the CRA must not be undermined by regulators. We must avoid the temptation to issue numerous interpretive rulings. Such rulings normally are intended for clarification, but, almost invariably, result in excessive complexity. Moreover, we must be decisive in casting unconditional votes for or against applications with CRA implica-

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**Regulators must not undermine banks' good-faith efforts to comply with the spirit of the CRA, and regulators must avoid the temptation to issue numerous interpretive rulings.**

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tions; approvals conditioned on specific requirements surely will lead us along the path to credit allocation. We must limit ourselves to evaluating each bank's overall record of performance and avoid offering any specific suggestions on what services or programs the institution might implement. Bankers would be well advised not to seek this kind of "benevolent guidance."

*Looking Ahead.* I think we will see some near-term developments in the compliance arena.

First, congressional hearings already are underway on Truth-in-Lending simplification. Action on this front is much needed and long overdue. The consumer credit survey I mentioned earlier confirms that consumers are being overwhelmed by too much information and information that is too complex. Were Truth-in-Lending disclosures limited to the five major credit terms — interest rate, payment size, dollar amount of finance charge, penalties for late payment and prepayment procedures — the intent of Truth-in-Lending legislation might have a better chance of being achieved. I strongly urge all bankers to

actively support enactment of this legislation.

Secondly, there is a concerted effort by both congress and the regulatory agencies to weigh more carefully the costs and benefits of bank regulation. In that vein, the regulatory agencies all have established internal task forces to study existing and proposed regulations. The FDIC's task force has four major objectives — to ensure that a clear need for each regulation is established; that alternative approaches have been considered; that burdens on the public are minimized; and that regulations are clearly and understandably written.

Thirdly, there appears to be a growing recognition of the fact that small banks simply cannot cope with the regulatory burden to the same extent as large banks. There are approximately 15,000 banks in this country, of which over 11,500 are under \$50 million in assets and almost 4,000 are under \$10 million. Except for the most basic banking transactions, these banks do not have a sufficient volume of business to justify development of internal expertise to meet the numerous compliance requirements or to spread the cost of employing external expertise. Smaller institutions should be either exempted from certain disclosure, record-keeping or reporting requirements or be provided with greatly simplified requirements. There is no question in my mind that excessive and, in some instances, unfair government regulation poses a serious threat to the community bank.

Finally, I believe we will see a continuation of the recent trend toward more active enforcement of consumer and civil rights laws. These proceedings will be more open to the public and will unfortunately, but probably unavoidably, become more adversary. I hope this will be balanced by more simple regulations, more thorough training of compliance examiners and more emphasis on educational programs for bankers.

*Suggestions for Coping.* Now that I have offered a few thoughts on the past, present and future of consumer and civil rights regulation, I would like to mention a few things you might consider — depending on the size and complexity of your bank — for your compliance-management program.

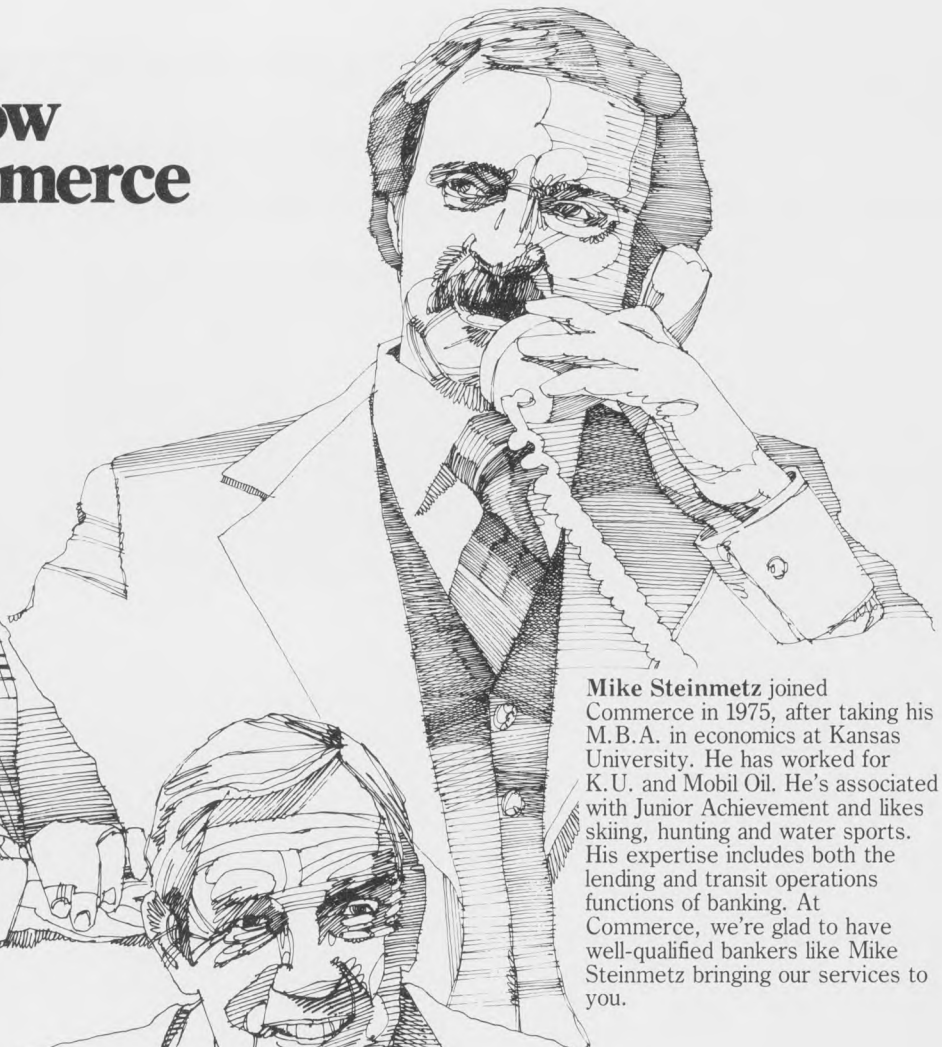
1. *Appoint a compliance officer to supervise your compliance-management program.* I can speak from experience regarding the need for this individual. It was the FDIC's policy until about three years ago to expect

(Continued on page 89)

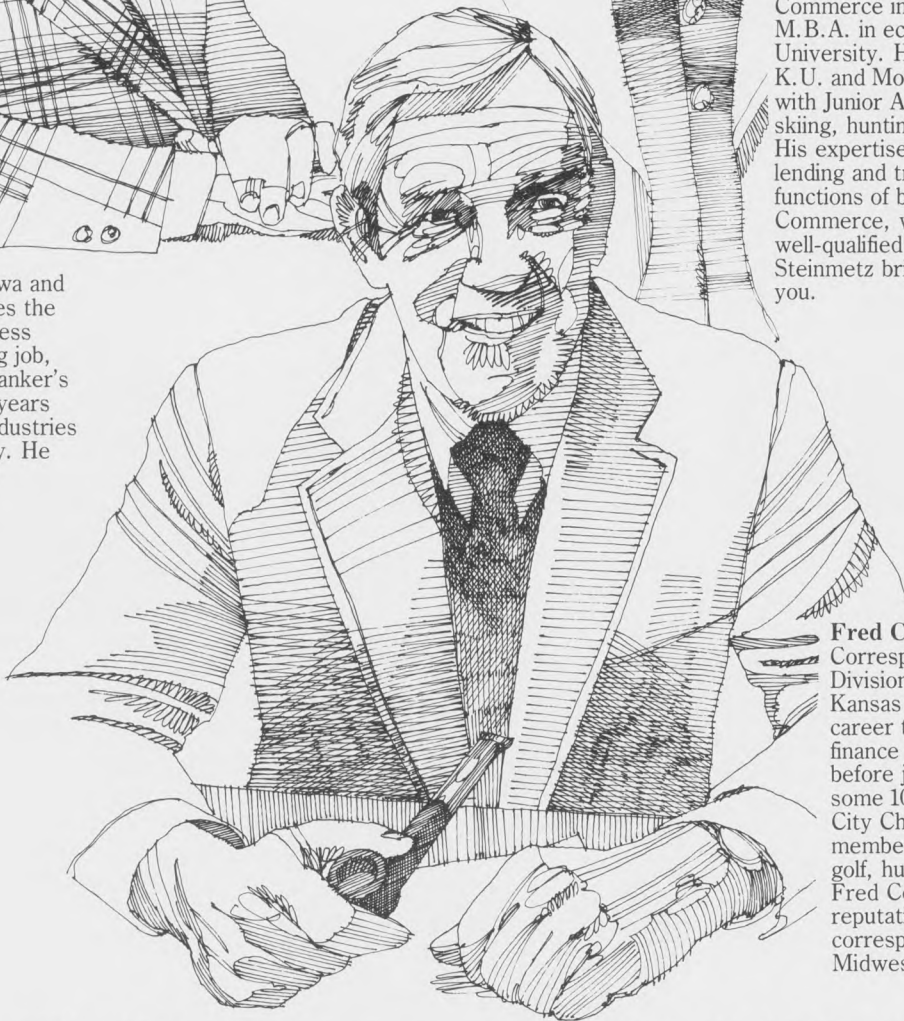
# Get to know your Commerce banker.



**Ed Lewis** travels Iowa and Nebraska and manages the Commerce Agribusiness Department. It's a big job, but this Commerce banker's background includes years with Oppenheimer Industries and Swift & Company. He knows the territory. This Marine Corps Reserve colonel is one of the Midwest's most knowledgeable, experienced agribusiness bankers. Whenever you need him, Ed Lewis is ready to help.



**Mike Steinmetz** joined Commerce in 1975, after taking his M.B.A. in economics at Kansas University. He has worked for K.U. and Mobil Oil. He's associated with Junior Achievement and likes skiing, hunting and water sports. His expertise includes both the lending and transit operations functions of banking. At Commerce, we're glad to have well-qualified bankers like Mike Steinmetz bringing our services to you.



**Fred Coulson** heads our Correspondent Banking Division. He's a University of Kansas graduate whose career took him to the finance and insurance fields before joining Commerce some 10 years ago. A Kansas City Chamber of Commerce member, Fred enjoys tennis, golf, hunting and sports. Fred Coulson has the reputation as "the dean of correspondent bankers in the Midwest."

**We're the leading correspondent bank in the Midwest.**

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**Commerce Bank of Kansas City** <sup>NA</sup>

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MEMBER FDIC

MID-CONTINENT BANKER for March, 1979

67





# Boardroom News

Promotions • Appointments • Retirements

## Danforth Retires as Economist at Liberty Nat'l, Okla. City

OKLAHOMA CITY — After 23 years as economist and chief financial officer of Liberty National, Louis F. Danforth, senior vice president and treasurer of Liberty National Corp., has retired from banking. Mr. Danforth was known for his expertise on the stock exchange and money market and has established offices in the City National Bank Tower as an economic consultant and investment adviser.

The bank has elected the following officers: John D. IZARD, senior vice president, a former president of Fourth National, Tulsa, who will remain in the Tulsa area as Liberty's senior commercial banking officer; D. DeWayne Davidson and Dorothy R. Riffel, vice presidents; and Julia M. Burgess, assistant vice president.



DANFORTH



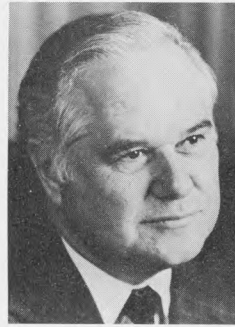
SPINNER

### Frank K. Spinner Named CEO of St. Louis Bank HC

ST. LOUIS — Frank K. Spinner has been named CEO, acting chairman and acting president of T G Bancshares, HC of lead bank, Tower Grove Bank, of which Mr. Spinner is president.

Mr. Spinner also is a director of Continental Bank, Richmond Heights, and of Bank of House Springs, both in Missouri. Until last December 31, he was senior vice president and head of the bond department at St. Louis' First National.

As previously announced, a definitive merger agreement has been signed between T G Bancshares and County National Bancorp., Clayton, Mo. The merger is subject to approval of regulatory authorities and of T G stockholders.



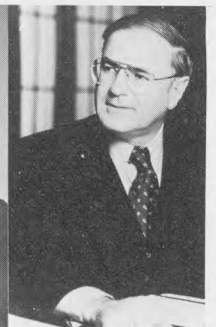
WILLIAMS



McCARDELL



WEST



ARENA

### Harris HC Nominates Directors; Bank Makes Two Appointments

CHICAGO — Harris Bankcorp. has nominated four new directors to be elected at this month's annual stockholders' meeting: Angelo R. Arena, president and CEO, Marshall Field & Co.; Archie R. McCardell, president and CEO, International Harvester Co.; B. Kenneth West, executive vice

president and head of the banking department, Harris Bank; and Edward J. Williams, chairman and president, McGraw-Edison Co.

At Harris Bank, James E. Adams has joined the staff as vice president and head of the accounting division, and Joan M. Baratta, vice president, has been named head of the personal trust division.

### Chenoweth Named Senior VP At Comm'l Nat'l of KCK

KANSAS CITY, KAN. — Robert W. Chenoweth has been elected senior vice president/administration, Commercial National, advancing from vice president and assistant to the president. He established the bank's credit card division.

In other action, Commercial National named Vice President Robert D. Rankin to the additional post of manager, data processing; James R. Hefley, second vice president; and Edward J. Herbert, assistant vice president/marketing, commercial data division. Mr. Hefley joined the bank in 1975 as correspondent bank officer.



HARRIS

PERRY

FOSSEY

### Wichita's Federal Land Bank Names Senior Vice Presidents

WICHITA — The Federal Land Bank has named three senior vice presidents: Jack K. Perry, Max H. Fossey and Jerold L. Harris. Their primary responsibilities will be to provide more effective lending service to farmers and ranchers through bank associations in Kansas, Oklahoma, New Mexico and Colorado.

The bank also named two vice presidents: Archie R. Ritter, reviews, and James D. Cannon, credit. Mr. Ritter has taken Mr. Cannon's former post, and Mr. Cannon succeeded Harold Wolfe, who retired at year-end after 26 years' service.



CHENOWETH

RANKIN

HEFLEY



# Your Best Mississippi Connection

Mississippi, like the rest of the South is rapidly growing and changing. Staying alert to these changes is difficult without a knowledgeable local connection. Well, you have one, with First National Bank.

Headquartered in the Capital City, First National has its finger on the pulse of the entire state. We are sensitive to Mississippi's political and governmental climate. We play a key role shaping the state's economy.

No one knows better than

we do the unique Mississippi Delta area, where agriculture and industry compete for dominance.

The economy of the traditionally agricultural South and Southwest area of the state is now strongly influenced by petroleum, timber, education and health care services.

If you need a good connection in Mississippi, chances are we know what you need to know and who you need to know. In Mississippi, call First National, first!

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Citizens Bank of Hattiesburg  
Hattiesburg

First National Bank  
McComb

Columbia Bank  
Columbia

Tylertown Bank  
Tylertown

Amite County Bank  
Gloster/Liberty



**First National Bank**

Jackson, Mississippi Member FDIC





Walter F. Gray, executive vice president/trust department, Mercantile Trust, St. Louis, has been named senior executive officer of that department, effective May 1.



GRAY

ERBERT

YOUNG

Bank of Oklahoma, Tulsa, has named two department managers: **Richard A. Erbert**, vice president/energy, and **James N. Young Jr.**, vice president/metropolitan.

Frost National, San Antonio, has announced the following promotions: *Kenneth R. Bell* and *Richard Kardys* to vice presidents; *Chester E. Neely*, *Caroline A. Nentwich* and *Joe Woods* to assistant vice presidents; and *James W. Gorman*, a rancher, was elected a director.

First Oklahoma Bancorp., Oklahoma City, has promoted two officers: **James R. Claborn** to senior vice president and **John R. Preston** to senior vice president and general counsel.

*John R. Newcomb* and *Stanley J. Nawrocki* have joined Bank of New Orleans. Mr. Newcomb is senior vice president and manager/corporate banking division, and Mr. Nawrocki is a senior vice president and non-funds resource administrator.



NEWCOMB

NAWROCKI

JONES

**William K. Jones** has been elected a vice president/international department, First National, St. Louis. He is a former assistant vice president/international department.

Third National, Nashville, has made the following officer changes: *Robert N. Fabian* and *Bobby T. Huff* to vice presidents from assistant vice presidents; *Will T. Vance* to vice president; *David L. Dixon* and *Pearl A. Sanders* to assistant vice presidents from commercial officers; and *Vernon P. Branson* to assistant vice president.

**W. McComb Dunwoody** has been elected senior vice president, First City National, Houston. In addition, newly elected vice presidents are **Daniel T. Betsinger**, systems and procedures; **R. David Cullum**, metropolitan department; **Russell C. Joseph**, international division; **George B. Kelly**, corporate finance; and **Lewis F. Parker**, investment division.

### Andrew Baur Named President Of St. Louis County Bank

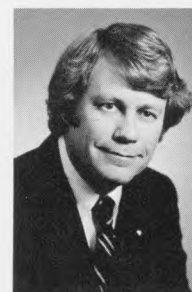
CLAYTON, MO. — Andrew N. Baur has been elected president and chief operating officer of St. Louis County Bank. Merle M. Sanguinet, chairman, who had held the title of president, will remain the bank's CEO.

Mr. Baur joined the bank in 1978 as executive vice president and a member of the board. Before that, he had been president and CEO of Commerce Bank, St. Louis, and prior to that, vice president of Mercantile Trust, also in St. Louis.

Another bank promotion was Martha R. Sheerin to vice president. At County National Bancorp., the bank's parent HC, E. J. (Ned) Fogarty Jr. was elected vice president and personnel director. He also is vice president and director of personnel of County Bank.



BAUR



HYDE



INGRAM

### Seven Tulsa Promotions

TULSA — Fourth National has made the following promotions and appointments: Terry L. Ingram, senior vice president; C. Hayden Hyde, senior vice president; John M. Robinson, assistant vice president; LaWanda Wyatt, assistant vice president and personnel officer; R. Kip Leikam, assistant vice president/real estate loans; Mark Amstutz, assistant cashier and customer service officer; and Thomas W. Hayes, assistant cashier and operations officer.

# 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.*

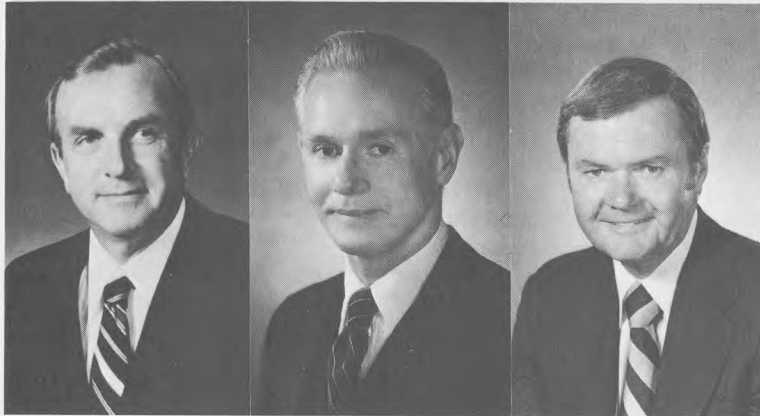
 **Liberty National Bank**  
Louisville, Kentucky



Bank of the Southwest, Houston, has named five vice presidents: *Dennie C. Axtell*, personnel; *David M. Dewan*, energy; *John Felchak Jr.*, deposit services; *Virginia F. Hurlbut*, lobby services; and *Robert G. Yeomans*, funds processing.

**Harold O. Stallings**, senior vice president and manager/energy loans area, and **Lloyd B. Faulk**, vice president, have retired from First National, Fort Worth, with a combined service of more than 70 years.

Northern Trust Corp., Chicago, is expected to elect *William A. Pogue* and *Charles H. Barrow* as directors at this month's annual shareholders' meeting. A vacancy was created on the corporation's board when *John A. Barr* died in January. In addition, under the board's retirement policy for directors, *Lindsey Hopkins*, chairman, Security Trust, Miami, will not be eligible for reelection at that meeting. At that time, it is expected he will become an honorary director of the corporation.



**POGUE**

**BARROW**

**QUIGLEY**

**Daniel N. Quigley**, executive vice president, National Boulevard Bank, Chicago, has been elected to the board.

*Dolph Briscoe Jr.*, former governor of Texas, has been elected a director, Mercantile Texas Corp., Dallas.

**Leonard E. Huber**, executive vice president, First International Bancshares, Dallas, has been elected chief financial officer of the corporation.

*James C. Lentgis* and *Anthony P. Wilson* have joined the trust and investment services department of Continental Bank, Chicago. Mr. Lentgis is a vice president and manager/employee benefit plan portfolios, and Mr. Wilson is a vice president/trust corporate business development.

First National, Santa Fe, has made the following promotions: **Thomas Jacobs** has joined the bank as vice president/consumer loan and dealer division, from manager/consumer lending division, southern division, Valley National of Arizona, Tucson; **Karen R. Bond** as vice president/personnel director/bank security; and **Cindy Perez** as assistant vice president/trust officer from assistant vice president/assistant trust officer.

Kansas State, Wichita, has promoted *Thomas N. James* to executive vice president/cashier from senior vice president/cashier; *Ruth Boes*, *Betty Lou Thompson* and *Sandra Thorne* to vice presidents; and *Emmadell Robinson* to assistant vice president from assistant cashier.

**Lloyd A. Jones** has joined Fourth National, Wichita, as a commercial loan officer. He previously was a commercial banking representative with Mercantile Trust, St. Louis.



**LIVINGSTON**

**HODGES**

**TATE**

### Worthen Elects New Officers; Former Senator Is HC Director

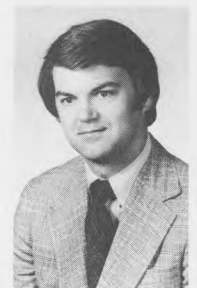
LITTLE ROCK — Worthen Bank has announced promotions of three new officers: Harold Tate to vice president and corporate trust officer, Barry Livingston to vice president and Mickey Freeman to assistant vice president.

Mr. Tate is responsible for the corporate trust department. Mr. Livingston manages the automated portfolio advisory system in the investment division. Mr. Freeman is in the marketing division, developing and assisting in the promotion of new and existing customer services.

At the bank's HC, First Arkansas Bankstock Corp., former U. S. Senator Kaneaster Hodges Jr. has been elected to the board. He now practices law in Newport, Ark.

### Correspondent Dept. Head Named at Com'l Nat'l of LR

LITTLE ROCK — Hubert Barksdale has been named vice president and manager of Commercial National's correspondent banking department. As manager, he will supervise liaison activity with correspondent banks in Arkansas and surrounding states.



**BARKSDALE**

Other promotions to vice presidents are Bill Elliott, Bill May, Jack Townsend, Rett Tucker and David Wilcox. Guy Humphries has joined the bank as a vice president after serving with other Arkansas banks.

# Bill Weis. Traveling banker's banker.

Bill Weis knows the roads as well as he knows correspondent banking. He will come to visit with you in your bank about any one of your banking problems.

Other specialists in the Correspondent Division are George Dudley, Gene Foncannon, Bill Dexter, John Fowler, John O'Connor, Dean Howard, Don LacKamp, Greg Wartman, Bob Shultz and Paul Ward.

They will be happy to help you with transit, securities, loan participations, credit inquiries, money market transactions, grain drafts and collections.



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# Bank Earnings

**Alabama Bancorp., Birmingham,** announced record operating results for 1978. Unaudited net income was \$24.2 million, compared to \$19.8 million for 1977, a 21.9% increase. Net income per share was \$3.31 last year versus \$2.72 in 1977. First National, Birmingham, the HC's lead bank, earned \$16.9 million in 1978, a 23.9% boost over the previous year.

*Central Bancshares of the South, Birmingham,* reached record operating earnings before securities gains of \$16.7 million, or \$2.50 a share, in 1978. This was a 9.3% increase over the 1977 figure of \$15.3 million, or \$2.29 a share. Unaudited net income for 1978 was \$17.8 million, or \$2.66 a share, compared to the 1977 figure of \$18.5 million, or \$2.77 a share, a 4% decrease.

**Chicago's Continental Illinois National Corp.,** parent of Continental Bank, reached a record annual income before security transactions of \$168.7 million, or \$4.51 a share, in 1978. This was a 17% increase over the 1977 figure of \$144.2 million, or \$4.05 a share. Net income last year rose to \$167.8 million, or \$4.49 a share, from \$143.1 million, or \$4.02, in 1977.

*First Chicago Corp.* reported 1978 record earnings. Income before security transactions went up 18% in 1978 to \$131 million, or \$3.30 a share, from \$111 million, or \$2.80 a share, in 1977. Net income rose to \$130.4 million, or \$3.29 a share, from \$114.1 million, or \$2.88 a share, in 1977. First Chicago is the parent of First National, Chicago.

**Harris Bankcorp., Chicago,** announced record operating results for 1978. Consolidated income before securities transactions was \$32.3 million, or \$4.78 a share, compared with \$29.4 million, or \$4.49 a share in 1977, a 10% increase. Net income in 1978 was \$27.6 million, or \$4.09 a share, down from \$29.4 million or \$4.49 a share in 1977.

*National Boulevard, Chicago,* reached a record net income last year — reporting \$3.1 million, or \$15.33 a share, an increase of 17.8% over the 1977 figure of \$2.6 million, or \$13.02 a share. Income before securities gains was \$3 million for 1978 and \$2.4 million for 1977. This was a 29.1% increase.

**Northern Trust Corp., Chicago,** parent HC of Northern Trust Co., reported preliminary unaudited financial results for 1978 as follows: consolidated income before security transactions of \$28.8 million, or \$5.92 a share, compared with \$25.5 million, or \$5.11 a share the previous year. On a dollar basis, the increase was 13%, while on a per-share basis, earnings went up 16% over 1977. The higher per-share gain reflects a lower number of average shares outstanding last year, the result of the HC's 200,000-share treasury stock-acquisition program.

*First International Bancshares, Dallas,* reported income before securities transactions of \$81 million, or \$4.09 a share, a 17½% increase over 1977's figure of \$68.9 million, or \$3.49 a share. Net income last year rose to \$80.1 million, or \$4.05 a share, from \$68.8 million, or \$3.48 a share.

**Republic of Texas Corp., Dallas,** reported that 1978 income before security transactions went up in 1978 to \$60 million, or \$3.41 a share, from \$45.6 million, or \$2.59 a share, in 1977. Net income fell to \$59.9 million, or \$3.41 a share, from \$72.9 million, or \$4.15 a share, in 1977. The 1978 net-income figure included a loss of \$825,000 (5¢ a share) from discontinued operations. Figures for 1977 included a net income from discontinued operations of \$27.3 million (\$1.55 a share).

(Continued on page 76)

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## Action Needed

(Continued from page 10)

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would be required to offer the certificates in denominations of \$1,000 or less.

On the regulatory front, a primary concern over the coming months will be numerous new regulations to be issued under the Financial Institutions Regulatory Act (FIRA), which was approved by Congress last Fall. Already in the works, for example, are regulations having to do with protection of consumers who take advantage of electronic banking and with banking transactions that involve executive officers and those who own 10% or more of a bank's stock.

Title XII of FIRA allows existing mutual savings banks to convert to federal charters, putting them under the jurisdiction of the Federal Home Loan Bank Board. Consistent with the clearly stated intent of Congress that mutual savings banks should continue their strong involvement in residential mortgage financing, the ABA has filed comments with the FHLBB urging the board to set strong and clear guidelines for mutual savings banks to assure that the onset of federal charters will not further diminish their commitment to housing.

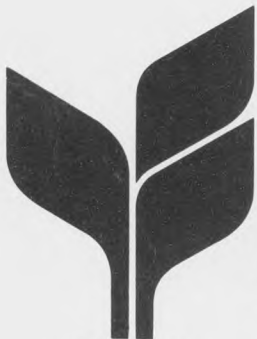
A case-by-case consideration of mutual savings banks' commitment to home mortgage financing will not be sufficient, the ABA said. Instead, any MSB applicants for federal charters should be able to demonstrate their commitments to housing by a record of providing at least 60% of their assets for residential mortgages and GNMA mortgaged-backed securities. Applicants that cannot show such records should be required to demonstrate that specific local market conditions justify their other investments and that they intend in the future to increase their holdings of residential mortgages.

The ABA's comments to the FHLBB were motivated by the fact that mortgage investments as a percentage of total assets of MSBs peaked in 1966 and have been declining steadily since. In addition, in 16 of the 17 states where MSBs operate, they are authorized to offer some type of third-party-payment account and/or broad-based consumer loans. ●●

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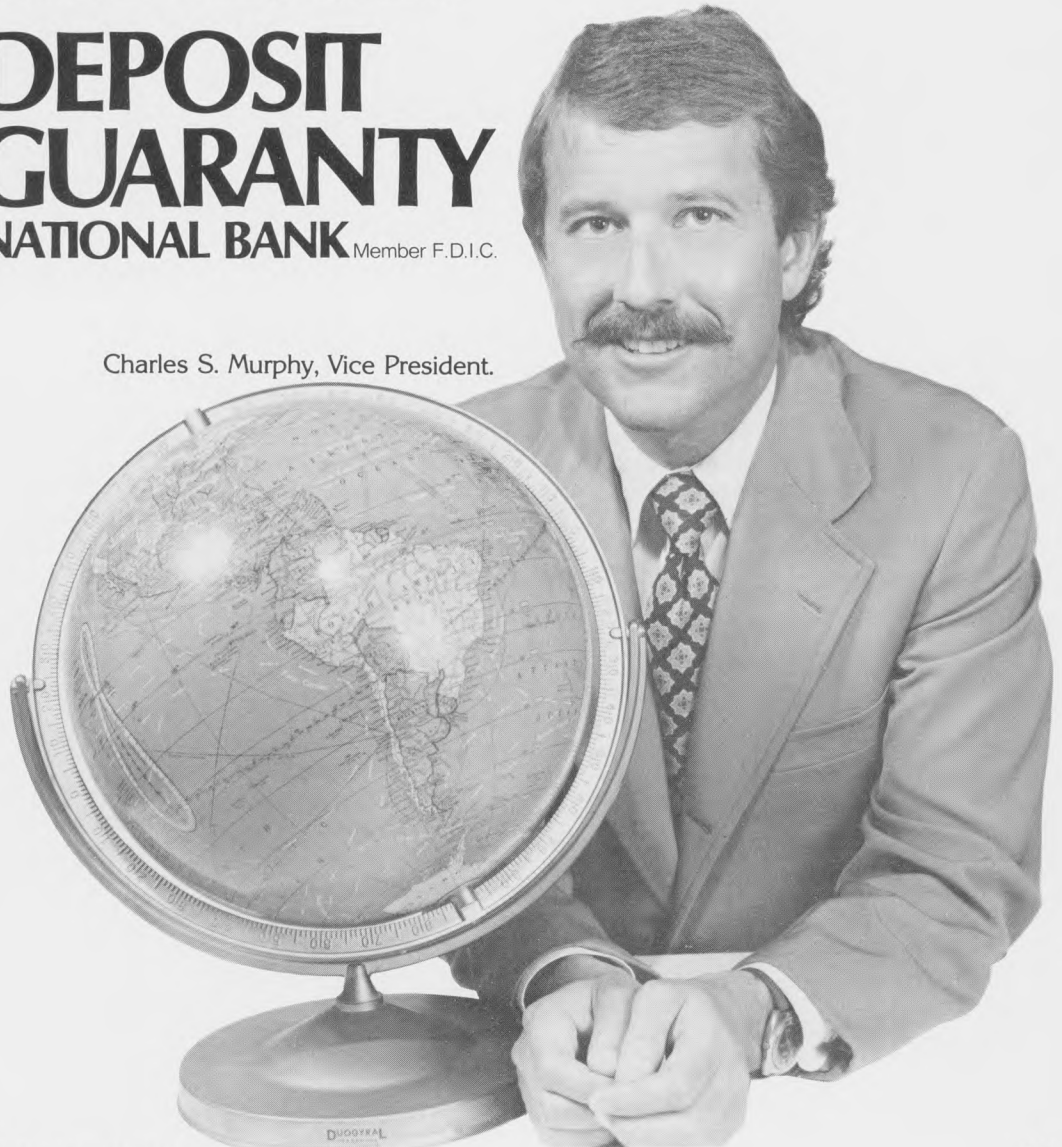


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# Bank Earnings

(Continued)

*Detroitbank Corp.*, parent of Detroit Bank, reached a record annual income before security transactions of \$42.2 million, or \$4.96 a share, in 1978. This was a 28% increase over the 1977 figure of \$32.9 million, or \$3.87 a share. Net income last year rose to \$39.1 million, or \$4.36 a share, from \$32.2 million, or \$3.76 a share, in 1977.

**First City Bancorp. of Texas, Houston**, reached a record income before securities transactions last year — reporting \$52.1 million, or \$4.67 a share, from \$41.8 million, or \$3.78 a share, in 1977, an increase of 24½%. Net income last year rose to \$50.6 million, or \$4.54 a share, from \$42.3 million, or \$3.82 a share, in 1977.

*First Capital Corp.*, Jackson, Miss., reported that 1978 income before security transactions rose to \$9.6 million, or \$5.02 a share, compared to \$9.3 million, or \$4.85 a share in 1977. Net income rose to \$9.6 million, or \$5.03 a share, compared to the 1977 figure of \$9.3 million, or \$4.86 a share.

**Commercial National, Kansas City, Kan.**, reached a record net income last year of \$2.1 million, or \$4.21 a share, from \$1.9 million, or \$3.86 a share, in 1977. Income before securities transactions rose to \$2.2 million last year from \$1.9 million in 1977.

*Commerce Bancshares, Kansas City*, parent company of Commerce banks, reported preliminary unaudited financial results for 1978 as follows: consolidated income before security transactions and taxes of \$29.4 million, or \$4.50 a share, compared with \$23.4 million, or \$3.86 a share, in 1977. Net income for 1978 rose to \$20.9 million, or \$4.53 a share, from \$17.9 million, or \$3.89 a share, in 1977.

**First National Charter Corp., Kansas City**, reported record net operating income of \$13.6 million, or \$3.59 a share, which is 15% higher than the \$11.8 million, or \$3.12 a share, earned in 1977. Net income for last year was \$13.6 million, or \$3.59 a share, compared to \$12.2 million, or \$3.21 a share, for 1977, a 12% increase. Net-income figures include securities losses of \$10,000 in 1978 and gains of \$370,000 in 1977.

*United Missouri Bancshares, Kansas City*, reached a record net income of \$11.8 million, or \$3.42 a share, a 17% increase over 1977 figures of \$10.1 million, or \$2.96 a share. Last year's income before security transactions was \$11.8 million compared to \$10.1 million in 1977, an increase of 17½%.

**First Kentucky National Corp., Louisville**, reported record 1978 after-tax operating earnings of \$16.5 million, or \$4.16 a share, up from 1977 earnings of \$13.9 million, or \$3.47 a share. On a per-share basis, 1978 earnings were up 19.9% over 1977. Last year's net income was \$16.2 million, or \$4.09 a share, an 18% increase over \$14 million, or \$3.48 a share, in 1977. First Kentucky National is the parent of First National, Louisville.

*United Kentucky, Louisville*, parent of Louisville Trust Bank, reported 1978 net earnings of \$2.3 million, or \$2.96 a share, up from \$1.8 million, or \$2.29 a share, in 1977, an increase of 29%. Last year's income before securities transactions rose to \$2.3 million, or \$2.95 a share, from \$1.8 million, or \$2.28 a share, in 1977.

**First Alabama Bancshares, Montgomery**, reported 1978 unaudited net income before securities transactions of \$18.9 million, or \$3.65 a share, a 13% increase over the \$16.7 million, or \$3.23 a share, earned in 1977.

(Continued on page 78)

## Kentucky Credit Union Members Can Transact Share Business on Liberty Nat'l ATMs

Liberty National, Louisville, and three Kentucky credit unions have agreed to allow credit union members to access funds electronically in their accounts via Liberty's network of 24 Money machines throughout Jefferson County, Ky.

At press time, about 6,000 credit union customers had applied for the new service. They were issued plastic debit "Plus Cash" cards supplied by the Kentucky Credit Union League. The two-sided card is identical on one side to those used by other credit unions in similar programs throughout the U. S. The other side is similar to Liberty National's Money Card.



Members of three Kentucky credit unions can use above cards to transact business on their accounts through Liberty Nat'l ATMs. One side bears credit union information, the other, Liberty Nat'l's.

The card may be used at any bank ATM to deposit to and withdraw from credit union share and share draft accounts.

Advantages to the new service include the following:

1. Accessibility of funds 24 hours a day, seven days a week.
2. 21 more neighborhood locations.
3. Faster transactions which mean less waiting in teller lines.
4. Direct deposit of total paycheck to credit union account is more appealing as a CU member is able to withdraw cash any time.

Liberty National will receive fee income from participating credit unions for providing multiple-support services. However, there will be no service charge to individual credit union members for use of Liberty's "Plus Cash" card. (Members must apply individually at their credit unions for "Plus Cash" card.)

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# Bank Earnings

(Continued)

*First Amtekn Corp., Nashville*, reported that 1978 income before security transactions rose to \$9.7 million, or \$1.60 a share, from \$7.3 million, or \$1.25 a share, in 1977. Last year's net income was \$9.6 million, or \$1.58 a share, compared to \$7.3 million, or \$1.24 a share, earned in 1977.

**Third National Corp., Nashville**, parent of Third National Bank, Nashville, reported net income of \$8.2 million, or \$3.43 a share, in 1978, up 22.7% from \$6.7 million, or \$2.80 a share, earned in 1977. Last year's income before securities transactions was \$8.4 million, or \$3.52 a share, compared to 1977's figure of \$6.6 million, or \$2.78 a share, a 26.6% increase.

*First Oklahoma Bancorp., Oklahoma City*, reached a record income before securities transactions last year — reporting \$16.2 million, or \$1.77 a share, up from \$12.1 million, or \$1.26 a share, in 1977, an increase of 40%. Net income last year was \$15.4 million, or \$1.67 a share, up from \$11.1 million, or \$1.15 a share, in 1977.

**Liberty National Corp., Oklahoma City**, reported consolidated net operating income of \$6.6 million last year, up from \$5.4 million in 1977, a gain of 21.9%. Net income was \$6.4 million, or \$3.37 a share, compared with \$5.3 million, or \$3.20 a share, in 1977.

*BancOklahoma Corp.*, parent of Bank of Oklahoma, Tulsa, reached a 6.6% increase in net income for 1978 of \$5.1 million, or \$2.28 a share, up from \$4.7 million, or \$2.14 a share, in 1977.

**Boatmen's Bancshares, St. Louis**, reported a 24% increase in last year's earnings of \$12 million, or \$5.01 a share, compared to \$9.7 million, or \$4.06 a share, in 1977. Earnings before securities transactions last year were \$12.1 million, or \$5.04 a share, compared to \$9.6 million, or \$4.01 a share, in 1977.

*First Union Bancorp., St. Louis*, reached a record annual income before securities transactions last year of \$25.1 million, or \$5.42 a share, up from \$22.3 million, or \$4.83 a share, earned in 1977. Last year's net income was \$24.7 million, or \$5.34 a share, compared to the 1977 figure of \$22.3 million, or \$4.83 a share, an increase of 10.6%.

**Mercantile Bancorp., St. Louis**, reached a record income before securities transactions last year — reporting \$27 million, or \$4.60 a share, up 17.9% from the 1977 figure of \$22.9 million, or \$3.90 a share. Last year's net income rose to \$26.8 million from \$22.9 million in 1977, an increase of 17%.

*BankAmerica Corp., San Francisco*, reported a 30.2% increase in last year's income before securities transactions of \$514 million, or \$3.53 a share, from \$395 million, or \$2.71 a share in 1977. Net income in 1978 was \$497.9 million, or \$3.41 a share, up from the 1977 figure of \$396 million, or \$2.72 a share.

## Master Charge Business Volume Exceeds \$1 Billion in 1978

ST. LOUIS — Business volume generated by the Master Charge credit card in the Midwest during 1978 exceeded \$1 billion for the first time, according to Credit Systems Inc., St. Louis. The volume reached \$1.08 billion, a 19% increase over 1977.

Individual transactions — consisting of retail purchases and bank cash ad-

vances — increased 14% over 1977 figures, to \$39 million. The average transaction was \$26.32.

More than \$132 million was recorded during December, 1978, compared with \$114 million in December, 1977.

Credit Systems operates the Master Charge program in the five-state area of Missouri, Kansas, Illinois, Iowa and western Kentucky.

## Shared ATM Network For Five States Announced By Bank, Charge Card Group

The Arizona Bank of Phoenix and Rocky Mountain BankCard, Denver, have decided to share an automated teller machine network involving financial institutions in five states.

The agreement to participate in the Visa Plus program will allow holders of the Arizona Bank's Visa Banking Card and Rocky Mountain's BankCard to access automated teller machines in Kansas, New Mexico, Arizona, Colorado and Wyoming.

Currently, Arizona Bank operates more than 20 ATMs and plans to operate 30 more by year-end. Rocky Mountain affiliate institutions plan to operate more than 100 automated tellers in the other four states by mid-1979.

The Visa Plus program is designed to meet customers' expanded travel needs, says D. Dale Browning, Rocky Mountain BankCard president. The program allows customers access to their funds when they travel to other states.

## Credit Policy Round Table To Be Sponsored by RMA

Robert Morris Associates (RMA) will conduct its first Credit Policy Round Table May 10-12 in Key Largo, Fla. Senior credit policy officers of the nation's top 36 banks have been invited to attend.

Sponsored by RMA's policy division, it is part of the association's ongoing effort to meet the needs of senior commercial lending and credit policy officers.

Edwin A. Schoenborn, RMA president, believes the association should expand its services to include seminars for senior bank officers. Also, he hopes to develop equally meaningful sessions for policy-level officers in other bank size categories in the future.

Mr. Schoenborn is senior executive vice president and chief credit policy officer, Irving Trust Co., New York City.

## Management Development Course Part of NABW Conferences

**S**OME WOMEN BANK MANAGERS complete two goals when they attend a regional conference of the National Association of Bank Women (NABW). Not only do they exchange banking information, but they may enroll in and attend part of a professional development program offered by NABW's Educational Foundation.

Then, they can continue their studies at home. More than 600 women bankers are enrolled.

The program is unique, according to Patsy Barnes, educational board chairman and vice president, American Bank, Baton Rouge.

"Because it's designed expressly for women, there's not another management course for bankers like it anywhere," she says. "The management series provides an open forum for discussion of women's work experiences. At the same time, the series relies on the latest research in management and banking techniques.

"It's a practical program, and it's action-oriented. Participants get the

chance to practice what they've learned."

Adapted for managers at all levels in banks of every size, the three-part program consists of two management seminars plus a series of self-study modules that concentrate on the specific management abilities needed by today's productive banker. Each module is worth two to six credit units. To earn the management series certificate, participants must complete 50 module credit units and both seminars in two years.

The management series is flexible. Seminars can be scheduled by a group of individuals at the same location or by banks as part of their in-house employee training. Modules are designed for self-study or as mini-seminars with a seminar leader. Participants may purchase any one or a combination of the seminars and modules; commitment to the entire series is not required.

This year at NABW's regional conferences April through June, both

two-day management seminars are being offered. The management process seminar focuses on desirable managerial skills. The second is management of conflict and change. In addition, two study modules are being offered — Negotiation II and Providing Financial Counseling. The latter is part of the conference and included in its registration cost.

Cost for each seminar is \$210, including lunches and materials. The negotiation module costs \$12.

The quad regional conference (including Alabama, Kentucky, Louisiana, Mississippi and Tennessee) will be April 25-26, Capitol House, Baton Rouge.

To register for the following courses, contact the following:

1. Management Process Seminar: Paula Pannell, Citizens & Southern National, Columbia, S. C.
2. Management of Conflict and Change Seminar: Pam Smith, Flagship Banks, Miami.
3. Negotiation II module: NABW Educational Foundation, Chicago. ●●

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# What's Your Opinion?



## Fed Postpones Discrimination 'Testing'; Bankers Tell What They Think of Plan

**E**VEN THOUGH the Fed has postponed a plan to use employees posing as loan applicants to detect lending discrimination in banks, the idea, as might be expected, is not being welcomed by bankers.

A Fed spokesman says the project was put off until it sees and evaluates a Massachusetts Banking Department report on its experience in this area. Under the Fed's plan, employees — who would be referred to as "testers" — would visit various banks posing as loan applicants. Then, they would report back to the Fed on how the banks handle these applications, noting especially any actions they see as violations of any of the consumer regulations.

MID-CONTINENT BANKER editors asked some bankers — including representatives of the ABA and Consumer Bankers Association — what they think of this proposal. Here is what they say:

**J. Donald Saul, chairman, ABA installment lending division, and vice president, First National, Cincinnati:**

I applaud the Fed's decision, made at its February 1st meeting, to defer use of its employees to pose as loan applicants at banks in what would be an unworkable effort to find possible violations of various consumer regulations.

The "tester" concept is inherently deceptive, and, at its worst, borders on the type of tactic we would expect to see only in a police state.

At its best, there are still five basic problems with this plan:

1. *Limited applicability* — The "testers" concept could not possibly work in rural areas where a bank, which personally knows its customers and prospective customers, would prudently be less likely to grant credit to unknown outside "testers."

2. *High cost to the Fed* — The number of "testers" needed to conduct anything approaching a fair examination of a bank's lending practices, as well as the cost of training this army of

"testers," would be extraordinarily high.

3. *High cost to banks* — The largest expense to banks in making any loan is the application process. The time and expenses associated with "tester" applications would be wasted since these applicants have no intention of accepting the loans.

4. *Limited experience* — The limited experience with "testers" to date (used in the past by the Armed Forces in connection with possible housing discrimination and presently by the banking department in Massachusetts) has failed to produce any proof of real benefits from their use.

5. *Adversary relationship* — Use of "testers" could create an unnecessarily adversary relationship between banks and their supervisory agencies. This could complicate not only bank supervision but also the examination process.

I can now only urge the Fed and other banking regulators, including the new Joint Inter-Agency Examination Council, to take the next logical step — completely reject the use of "testers" as uneven, unfair, unworkable and unnecessarily costly.

\* \* \*

**Richard K. Slater, executive vice president, Consumer Bankers Association:**

"With the passage of the Community Reinvestment Act in 1977, there has been a growing national debate over whether financial institutions were improperly refusing to make credit available in low- and moderate-income neighborhoods. The CRA and its accompanying regulations are only one piece of an extensive regulatory and administrative framework designed to attack this problem.

However, while the Consumer Bankers Association agrees that there is a need to assure access to credit to all qualified individuals, we believe that adequate law and enforcement mechanisms are presently available to

accomplish this. Both the Fair Housing Act and the Equal Credit Opportunity Act — Regulation B — have provided federal and state regulatory authorities as well as private individuals with legal recourse against institutions that deny or discourage applicants on a prohibited basis. Also, as a significant monitoring device, Congress passed the Home Mortgage Disclosure Act — Regulation C. In addition to this monitoring information, section 202.13 of Regulation B plus additional monitoring requirements of the FDIC and Federal Home Loan Bank Board in this area have aided bank regulators in detecting discrimination.

Finally, with passage of the CRA, we have Congress "encouraging" financial institutions to meet the credit needs of low- and moderate-income neighborhoods. With this wide panoply of disclosure, encouragement and regulations already available, we believe it would be administrative overkill to add testers.

Also, we have serious philosophical problems with the entire concept of employing testers. Traditionally, the role of a regulatory agency has been to assure the "safety and soundness" of a financial institution. In this context, the examination process has never been viewed as an adversary proceeding, since any deficiencies would be corrected simply by the examiner bringing the problem to the banker's attention. Now, we find this concept being eroded and the examiners, especially in consumer compliance exams, being turned instead into prosecutors. If testers are employed, the relationship then would be completely transformed, and we would have the regulatory agency and the bank viewing each other as adversaries, which would be likely to destroy the basis of their cooperative efforts.

\* \* \*

**Horace Dunagan Jr., president, First State, Caruthersville, Mo.:**

"I had read the article in *American*

Banker on February 5 and I can give you my opinion of this (idea) in one word — RIDICULOUS. Already we are having difficulty in our applications of trying to sort out all the regulations that apply to our bank when extending credit.

"It is our policy today, and has been for the last 25 years, to make every loan that we think is qualified as a good loan. Now, if we have to try to determine whether the applicant is for real or some fictitious undercover person sent to us by the government, it will just make our job more difficult.

"I would like to state that in my opinion it would not accomplish anything, but that has been my opinion about most of the consumer-type laws that already have been passed. Apparently, some of these regulations are needed somewhere or they would not continue to pass them, but I do not believe that we have a single consumer who is better off today because of some regulation that has been passed in the last decade."

\* \* \*

**James A. Webb Jr., chairman, Nashville CityBank:**

"I am appalled to learn that the Fed is considering plans to have employees pose as loan applicants at banks in efforts to uncover possible violations of the various consumer regulations. This smacks of the heavy-handed oppression of a police state and I, for one, am writing my congressman and my senator to object to this type of tyranny and arrogance out of Washington.

"The Fed is guilty of at least two

glaring misconceptions. First, most bank employees are laboring to both understand and comply with the virtual torrent of regulations gushing from the bank regulators and are not common criminals attempting to evade the law. Secondly, at the very moment the Fed is trying to sell its good intentions to obtain compulsory reserves for all banks, the agency is assuming the role of a sneak to attempt to entrap and embarrass its constituency whose only guilt is a best effort to serve. It's ridiculous!" ••

### Louisville Bank's ATMs Made Available to S&L

LOUISVILLE — In what is said to be the first cooperative effort of its kind between a commercial bank and an



John C. Everett (l.), pres., Portland Federal S&L, Louisville, uses first Portland "Money Service" PassCard in one of Liberty Nat'l's 24 Money Machines. Frank B. Hower Jr., Liberty Nat'l ch., assists.

S&L in Kentucky, and perhaps the nation, Liberty National and Portland Federal S&L have agreed to permit a customer to withdraw or deposit funds in his Portland Federal account electronically through use of Liberty's network of 25 Money machines.

Portland Federal customers were issued plastic "Money Service" PassCards that can be used at the S&L and at any of Liberty's automatic tellers to withdraw money from or deposit funds in Portland Federal savings accounts, make balance inquiries and mortgage loan payments.

John C. Everett, president of Portland Federal, said that this working partnership would triple the locations and extend hours where his customers can have access to their accounts.

• **Mortgage Guaranty Insurance Corp.** A pamphlet called, "Insured Conventional High-Ratio Mortgages" has been developed by MGIC to answer lender questions concerning low down-payment mortgage lending and how it can help increase profits, provide ways to attract and keep customers and maintain a progressive community image. Some topics discussed are the effects of low payments on earnings, cross-selling opportunities available through mortgage lending and how the secondary mortgage market can help a home-mortgage-lending program. Write: High-Ratio Brochure, Mortgage Guaranty Insurance Corp., MGIC Plaza, P. O. Box 488, Milwaukee, WI 53201.

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## FINANCIAL PLACEMENTS

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Tom Chenoweth



# Young, Gill, Hope, Lagniappe Scheduled For Louisiana Convention April 7-9



Ruston State's new \$1.7-million main office was dedicated last month.

**A**BAKER'S DOZEN can be compared to the Louisiana Banker Association's convention this year because its theme is "Lagniappe: The Convention with Something Extra." It will be held April 7-9 at the New Orleans Hilton Hotel.

And the something "extra" includes a speech, "25 Ways to Increase Profits" by John R. Young, president, Farmers & Merchants Savings, Manchester, Ia., in addition to two speeches by ABA President-Elect C. C. Hope Jr., vice chairman of First Union National of North Carolina, Charlotte. He will discuss "Current Banking Legislation on the Federal Level" and "Basis for ABA Consensus" at the morning session, April 9.

Also at that session James G. Boyer, LBA president, will give his association's annual report.

John J. Gill, an ABA administrative counsel, will talk about "Banking Regulation for 1979: Untangling FIRA" (Financial Institutions Regulatory Act).

A "Las Vegas" party is another "extra" that will highlight Saturday afternoon, April 7. All chips and gambling "money" will be issued guests when they arrive at the party. According to the LBA, no money will change hands. Chips may be cashed in

for prizes. Black Jack, Roulette and Chuck-A-Luck will be featured.

A large banking trade show will be held in conjunction with the convention from April 6-10.

Several large correspondent banks will be hosts at parties on Sunday, April 8.

During Monday's luncheon banquet, two 50-year bankers — W. B. Scriber, president, Winnsboro State, and Grayson Guthrie, vice chairman, Central Bank, Monroe, and four outgoing board members — will be honored.

The convention will close following a Monday evening dinner dance.

**LBA Officers.** Mr. Boyer, LBA president, has been president of Gulf National, Lake Charles, since 1970. A lawyer, Mr. Boyer was a judge advocate with the U. S. Air Force during the Korean War. Following release from active duty in 1954, he practiced law for 16 years and was city attorney for Lake Charles from 1960-62.

LBA president-elect is H. Graham Schneider, president, First National, Lake Providence, a post he has held since 1970. He joined the bank in 1968.

LBA treasurer is Joseph H. Montero II, executive vice president of Assumption Bank, Napoleonville. Mr. Montero joined his bank in 1959 and has held positions of cashier and vice president. He was elected to his current position in 1973 and a director in 1978.

General convention chairman this year is Wilmore W. Whitmore, president, First National, Houma. ●●

■ LOUIS AIMÉ has been appointed sales engineer for south central Louisiana, including Baton Rouge, Lafayette, Houma and New Iberia, by LeFebure, Cedar Rapids, Ia.

■ RUSTON STATE celebrated the grand opening of its new \$1.7-million main office last month. The two-story structure has 17,000 square feet of space, drive-in banking and a new ATM.

## Executive Contracts

(Continued from page 6)

with the reader's perception of his own institution's data or what he knows from other sources. Thus, the survey data fall victim to the philosophy that the individual is right and the macro data are wrong. By observing the data and comparing it to his own institution's characteristics, the reader can rationalize why major variations exist, just as if he were rationalizing the differences in the cost-of-living averages of different cities according to the consumer price index.

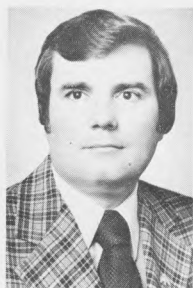
Nonunionized industries, such as banking in general, have more flexibility in making salary adjustments. Although this flexibility applies more to lower-level clerical positions, it can influence the board's consideration of the CEO's salary.

In many banks, salary and wage changes were made only once a year, usually after the annual shareholders' meeting. In the last 10 years, however, because of high inflation, the board's annual adjustment or anniversary of employment salary review has put pressure on this practice. Some institutions now make quarterly or semiannual reviews, adjusting clerical salaries more frequently than officers' to keep up with local, competitive changes in the market.

The CEO's salary often is contractual. At least 40% of new CEOs have contracts this year and the percentage has been increasing annually. A five-year contract is not uncommon. It can be revised periodically as needed because of changing economic developments, but as a formal document this tampering is discouraged. Still, because these are extended contracts, they call for more careful construction and consideration. Remember, the courts generally allow personal-service contracts to be enforced against the bank, but not against the individual. ●●



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MID-CONTINENT BANKER for March, 1979

83



# NEWS

## From the Mid-Continent Area

### Alabama

■ **FIRST STATE**, Decatur, has made three officer changes: William R. House has been promoted from president to the newly created position of chairman and CEO; Dalton M. Guthrie has been promoted from executive vice president to president; and Theresa A. Phelps has been promoted to cashier from assistant cashier.

■ **PEOPLES BANK**, Selma, has announced the following promotions: Richard P. Morthland to executive vice president, Elam P. Holley Jr. to assistant vice president and cashier, George Fortner to assistant vice president and Gary M. Pierson to vice president and cashier.

■ **S. FRANK WHATLEY** has been elected president and CEO of First Alabama, Notasulga. Previously, he was executive vice president, Bank of East Alabama, Opelika. He has been with the latter since 1969 and has been in banking since 1961. First Alabama, Notasulga, has applied to open its main office in Opelika with a branch in Auburn.

■ **FARMERS & MERCHANTS BANK**, Centre, announces the election of Ronnie Rogers to loan officer. He joined the bank in 1972. Also, Mary George Jordan Waite, the bank's chairman and president, has been reappointed Alabama savings bonds coordinator by the American Bankers Association.

■ **MIKE CALLAHAN** has been promoted to vice president/installment loan department manager, First National, Decatur. He went to the bank in 1973.

### Arkansas

■ **JEROME P. NIEMIEC** and **J. William Gould** have been elected to the board, McIlroy Bank, Fayetteville. Mr. Niemiec, formerly with a bank in Chicago, has been executive vice president at McIlroy since 1977. Mr. Gould, a former senior partner,

Douglas Walker & Co., recently joined the bank as senior vice president and trust officer.

### Illinois

#### First Comm'l Credit Conference Planned March 28-29 by IBA

The Illinois Bankers Association will hold its first annual commercial credit conference March 28-29 at the Continental Regency Hotel, Peoria, Ill. The conference is an outgrowth of the goals of the IBA's commercial credit committee established last June.

Bankers from Illinois, Missouri, Iowa and Pennsylvania are scheduled as speakers and panelists in addition to B. F. "Chip" Backlund, IBA president and president, Bartonville Bank.

Topics will include "Development of Loan Review Program/Loan Policy Statement," "Development and Training of Commercial Loan Officer," "Statement Analysis and the Credit File," "Loan Documentation and Compliance," "Workouts and Recoveries," "Building and Use of a Credit File," "Secured Lending to Business," "Fundamentals of Lending to Small Businesses" and "Inflation? Recession? Both — Meaning for the Credit Markets."

A spouses' program, which will include free time to attend conference sessions, is planned.

#### Design Award for Bank



**Richard Engstrom**, Bank Building Corp. (2nd from r.), presents an award of merit to **George B. Everitt** (far r.), Merchandise Nat'l, Chicago, for the bank's new near-northside office design. It has an 1890s motif. Also at presentation were **John L. Cooley**, bank pres., and **Jan Weren**, Bank Building Corp.

■ **CITY NATIONAL**, Rockford, has formed a bank holding company, Rockford City Bancorp., Inc. **H. Hurst Gibson**, bank president and CEO, also will be the HC's president and CEO. In other action, **Charles Summerfield**, who retired from the bank in December after nearly 34 years — 28 as president and CEO, was presented a plaque honoring his service. He will continue as bank chairman.

■ **HILDA H. KOLLMANN**, vice president/investments, Heritage Bancorp., Chicago, has retired after 44 years in the banking industry. She joined Heritage County Bank in 1935 and was elected vice president and cashier in 1955 and a director in 1956. She became vice president/investments for Heritage Pullman Bank, Chicago; Heritage Standard Bank, Evergreen Park; Heritage County and Heritage First National, Lockport, in 1969. She was given the same title at the HC in 1970. She will continue to serve as a director of Heritage County Bank. Miss Kollmann is a former president of the National Association of Bank Women.

### Indiana

■ **TERRE HAUTE FIRST NATIONAL** has announced the following officer appointments: **Janet Masters**, assistant vice president; **Vernon M. Cook**, assistant vice president/mortgage loan department; **John D. Evans**, assistant vice president/operations. New assistant cashiers are **Debbie Pierce**, **Martha J. Kelley**, **David E. Rogers**, **William G. O'Rourke**, **Winnie Jo Cochran** and **Lela E. Cooper**.

■ **WILLIAM N. McCALLUM** has been promoted to senior vice president and board secretary at Lafayette Bank and Trust. He succeeds **Emil W. "Bud" Ebner**, who has retired. Mr. McCallum will supervise the bank's loan portfolio.

■ **CARL A. GUNKLER**, president and chief operating officer of Lincoln Financial Corp. and its subsidiary, Lincoln National, Fort Wayne, was elected CEO of the bank. He replaces **Robert A. Morrow**, who has resigned.



# HARRIS BANK®

## Consolidated Statement of Condition

<b>ASSETS</b>	<b>December 31, 1978</b>
Cash and Due from Banks .....	\$1,242,187,188
Interest-Bearing Deposits at Banks .....	694,086,713
Investment Securities:	
U.S. Treasury Securities .....	394,207,524
State and Municipal Securities .....	382,587,103
Other Securities .....	20,778,169
Total Investment Securities .....	<u>797,572,796</u>
Trading Account Securities .....	189,373,081
Federal Funds Sold and Securities Purchased under Agreement to Resell .....	209,009,000
Loans .....	2,689,098,865
Less: Unearned Income .....	(6,876,171)
Allowance for Possible Loan Losses .....	(24,905,952)
Direct Lease Financing .....	58,007,456
Bank Premises and Equipment .....	90,268,939
Customers' Acceptance Liability .....	112,601,041
Other Assets .....	139,027,517
Total Assets .....	<u>\$6,189,450,473</u>
<b>LIABILITIES</b>	
Demand Deposits .....	\$1,532,317,083
Savings Deposits and Certificates .....	830,372,947
Other Time Deposits .....	1,071,619,569
Deposits in Foreign Offices .....	1,105,217,151
Total Deposits .....	<u>4,539,526,750</u>
Federal Funds Purchased and Other Short Term Borrowings .....	1,015,629,106
Acceptances Outstanding .....	112,653,122
Accrued Interest, Taxes and Other Expenses .....	81,264,089
Other Liabilities .....	117,061,203
Total Liabilities .....	<u>5,866,134,270</u>
<b>STOCKHOLDER'S EQUITY</b>	
Capital Stock (\$16 Par Value) Authorized, Issued and Outstanding 3,137,815 shares .....	50,205,040
Surplus .....	154,893,860
Surplus Arising from Assumption of Convertible Capital Notes by Parent Company .....	3,086,000
Undivided Profits .....	115,131,303
Total Stockholder's Equity .....	<u>323,316,203</u>
Total Liabilities and Stockholder's Equity .....	<u>\$6,189,450,473</u>

## DIRECTORS

CHARLES M. BLISS  
*President and Chief Executive Officer*

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

BENNETT ARCHAMBAULT  
*Chairman and President*  
Stewart-Warner Corporation

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

JAMES W. BUTTON  
*Special Assistant*  
*to the Chairman*  
Sears, Roebuck and Co.

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

KENT W. DUNCAN  
*Executive Vice President*

SAMUEL S. GREELEY  
*Chairman*  
Masonite Corporation

HUNTINGTON HARRIS  
*Trustee*  
Estate of Norman W. Harris

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

JOSEPH B. LANTERMAN  
*Chairman*  
AMSTED Industries Incorporated

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

WILLIAM F. MURRAY  
*Retired Chairman of the Board*

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

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

MARY PETRIE  
*Treasurer*  
The University of Chicago

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

THEODORE H. ROBERTS  
*Executive Vice President*

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

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

As of December 31, 1978, standby letters of credit amounted to \$189,539,574.

### Harris Trust and Savings Bank

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BANKING FACILITIES: 311 West Monroe Street, Chicago, Illinois 60690

Board of Trade Building, Chicago, Illinois 60690

INVESTMENT DEPARTMENT REPRESENTATIVE OFFICES: New York; St. Louis

TRUST DEPARTMENT REPRESENTATIVE OFFICE: Scottsdale, Arizona

INTERNATIONAL OFFICES: London; Mexico City; Nassau; Paris; São Paulo; Singapore; Tokyo

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## Kansas

■ **MIDAMERICAN BANK**, Roeland Park, has made the following personnel changes: Frank E. Boesche has joined the bank as executive vice president in charge of marketing, customer service and planning. He retired as senior vice president, Commerce Bank, Kansas City, Mo., after 33 years' service. Jon Grams was elected vice president/commercial loan department, and Paul J. Dow, assistant cashier/installment loan department. J. Patrick Purcell has been promoted from loan officer to assistant vice president/installment loan department. Mr. Grams formerly was with Mid-Continent National, Kansas City, Mo.



BOESCHE



LUPTON

■ **THOMAS H. CURTIS** has resigned as vice president and installment loan officer of Security State, Great Bend, to become special agent, Northwestern Mutual Life Insurance Co., Milwaukee. He will be based in Great Bend. Gail L. Lupton has joined Security State as vice president and head of the consumer loan department, succeeding Mr. Curtis. He had been vice president/consumer loan officer, American State, Great Bend, the past 14 years.

■ **FIRST NATIONAL**, Liberal, has promoted Danny R. Powers to senior vice president, cashier, trust officer and board member. He has been with the bank since 1965. Galen Unruh has been named assistant cashier and agricultural representative. He formerly was with First National, Clifton.

### New Bank for Lenexa

**LENEXA** — Country Hill State plans to open in temporary quarters in a shopping center in July. William R. Mills, presently with M. J. Swords Associates, a Kansas City-based bank consulting firm, will be president and managing officer of the new bank.

Phil Acuff, president of Acuff Homes, Lenexa, a principal organizer of the bank, will be chairman. Another organizer, Lee Peakes, vice president, George K. Baum & Co., Inc., Kansas City, Mo., will serve as an inactive vice president.

Initial capitalization will be \$1.5 million.

■ **DWIGHT HILL** has been named executive vice president and trust officer, McPherson Bank. Rodger Swanson, vice president, also was named trust officer.

■ **SHAWNEE STATE** has promoted Nadine Verstraete to assistant vice president from assistant cashier and head teller and Helen D. Lobdell to assistant cashier. Mrs. Lobdell has charge of CDs and student loans.

■ **ALFRED A. BUSER** has been promoted to senior vice president from vice president at Citizens State, Seneca.

■ **IOLA STATE** has promoted the following: Evelyn Blake, vice president, assistant trust officer and assistant secretary; Anita Arnold and Hellen Mercing, assistant cashiers. The following vice presidents have been given additional responsibilities: Lloyd Swanson, assistant trust officer; Ralph Smith, security officer; Steve Robb, senior loan officer; Roger Parson, installment loan officer; and Jim Gilpin, secretary. Mr. Smith also is farm representative and Mr. Gilpin is cashier.

## Kentucky

■ **FIRST SECURITY NATIONAL**, Lexington, announces the following

officer elections: Walter W. Hillenmeyer Jr., chairman and CEO from chairman and president; Neilan Thurman, board vice chairman from executive vice president; William L. Rouse Jr., president from executive vice president; Ben Elkin, senior vice president from first vice president, and J. D. Reeves, first vice president from vice president/marketing and business development.

■ **RAYMOND G. SCHWEDHELM** has been named executive vice president, Second National, Lexington. Prior to joining Second National, he was senior vice president/cashier, First Bank, Boca Raton, Fla.

## Mississippi

■ **B. FRANK WILLIAMS** has retired as chairman, Bank of Yazoo City. He was with the bank 25 years and will retain his seat on the board.

### Bank Wins Ad Award



Gerrit A. Maris (l.), pres., Maris, West & Baker Inc., presents an award of distinction to Charles Causey (c.), pres., Peoples Bank, Tupelo, and Wallace McMillan, bank marketing director. The bank and ad agency received two awards in the annual Bank Advertising Awards Competition, which attracted entries from 32 states.

## Missouri

■ **BRENTWOOD BANK** has promoted C. Douglas Gift to executive vice president from senior vice president and Richard K. Oliver to vice president/installment loans from assistant vice president.



Bob Loyd



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NATIONAL  
BANK**

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Bernard Ruysser

■ **FIRST STATE**, Rolla, has changed its name to American Bank of Rolla.

■ **FIRST NATIONAL**, Clinton, has promoted Alden Buerge to president and Boyce Miller to executive vice president. Mr. Buerge is a former executive vice president, and Mr. Miller is a former senior vice president.

■ **FIRST NATIONAL**, Kirksville, has promoted the following officers: Kenneth Pickett to assistant cashier and Gary Fisher to vice president. Mr. Pickett has responsibility for purchasing and serves as a teller. Mr. Fisher is in charge of the loan department.

■ **EXCHANGE BANK**, Richmond, has elected Michael E. Wegeng, vice president and compliance officer; John M. P. Miller Jr., vice president and cashier; and William G. Shryer, assistant vice president.



MARTIN



COURRIER

■ **CHIPPEWA BANK**, St. Louis, has appointed James B. Courier executive vice president and secretary. He succeeds Richard O. Werner, who has retired. Mr. Courier formerly was vice-president/administration and a director of Chesterfield Bank. Before that, he was with First National, St. Louis, for 20 years in the regional banking division.

■ **RICHARD M. MARTIN** has been appointed vice president and cashier, Harvester National, St. Charles. He joined the bank in 1977 and was a Fed bank examiner prior to that.

■ **COUNTRY CLUB BANK**, Kansas City, has promoted Winona Chrisjohn to vice president and auditor from assistant vice president; Robert Guntert to vice president from assistant vice president; and Nina Strathman to assistant cashier. Anthony J. Sweeney, an officer of J. C. Nichols Co., has been elected to the board.

■ **CITIZENS BANK**, University City, has named the following assistant cashiers: Susan P. Bowen, Susan F. Mottern and Ellen V. O'Neill.

■ **TRENTON TRUST** has promoted Harry Lanpher to vice president from assistant vice president; Lois Hann to assistant vice president and trust officer from secretary and assistant trust officer; and Phyllis Robinson to secretary and assistant trust officer from assistant trust officer.



LOHE



REECE

■ **BANK BUILDING CORP.**, St. Louis, has appointed Robert E. Reece as a consultant services manager for BBC Central in western Missouri. Prior to joining the firm, Mr. Reece was general sales manager for a Kansas City firm.

■ **FLORISSANT BANK** has elected Cyril A. Niehoff chairman and CEO, succeeding Melvyn Moellering, who retired. Succeeding Mr. Niehoff as president and chief operating officer is Norbert W. Lohe, formerly executive vice president. In addition, Carl W. Peters was elected vice president, and Gilbert E. Farrell has joined the bank as assistant cashier/computer operations. Formerly, he was with Mercantile Trust, St. Louis. New directors are Donald R. Zykan, president, Zykan Brothers Inc., and Michael J. Vatterott, vice president, John H. Vatterott Management Corp.



MORRIS



W. NAUNHEIM

■ **CHARTERBANK OF OVERLAND** has made the following officer changes: Alfred R. Naunheim, formerly president, was named chairman replacing his brother, Webe H. Naunheim, who was named executive committee chairman. Orville W. Morris was promoted to president from senior vice president. Randall L.

### Wellston-to-Clayton Move Denied For Landmark Central Bank

**WELLSTON** — Landmark Central Bank's request to move from this St. Louis suburb to another, Clayton, was denied February 7 by the state banking board. The request had been turned down last November by Finance Commissioner Edgar Crist. Following his denial, the bank appealed to the banking board.

Landmark Central now has the option of appealing in state courts and must do so by March 7. However, at press time, a bank spokesman said a decision had not been made on whether to take this step.

Mr. Crist had rejected the proposed move principally because of his concern that it would threaten the existence of Ladue Innerbelt Bank, which is located in the area where Landmark Central wants to relocate. In its request to move, the latter bank proposed to open a new bank at its present location in Wellston and call it Landmark Bank of Wellston. The name of Landmark Central would be changed to Landmark Bank of Clayton if the move is allowed.

Dunn, formerly a trust representative of First National, Kansas City, has been named assistant vice president and trust officer. Treacy D. Helvey was promoted to cashier from assistant cashier and Eugene J. Jezik to comptroller from cashier.

■ **ST. JOHNS BANK**, St. Louis County, has elected Louis H. Grone Jr. a director. Mr. Grone is secretary-treasurer of Grone Cafeteria, St. Louis County.

■ **BANK OF ST. ANN** has promoted Stanley R. Levandoski to assistant vice president from assistant cashier and Mary V. Findall to installment loan officer. Mr. Levandoski joined the bank in 1973 and Miss Findall in 1969.

■ **FIRST NATIONAL**, Liberty, has promoted Renner Bryan to installment loan officer and Judith Bennett to assistant cashier. Mr. Bryan was a management trainee. Mrs. Bennett joined the bank in 1970 and is currently in the commercial loan department.

■ **CHARTERBANK OF JENNINGS** named its chairman, Alfred R. Naunheim, chairman and president and promoted Donald M. Collier to executive vice president from senior vice president. Mr. Naunheim succeeds Ray L. Ruby, who took early





**COLLIER**



**A. NAUNHEIM**

retirement to move with his family to a farm near Farmington. Edward J. Jezik, formerly senior vice president and auditor, was appointed senior vice president and comptroller. Directors presented Mr. Ruby, who was reared on a farm near Chesterfield and who plans to raise cattle, a retirement gift of a steer and a 12-gauge Browning shotgun.

## New Mexico

■ **W. H. "BILL" SULTEMEIER** has been named president of First State Bank, Rio Rancho, succeeding Dennis Chavez, who has been named chairman. Mr. Sultemeier, who is a certified public accountant, had been with American Bank of Commerce, Albuquerque, for 4½ years.

■ **CORA SANCHEZ** has been appointed assistant vice president, First State, Taos. She has been in banking 28 years.

■ **ROSWELL STATE** has promoted Joyce Ansley and Jerry Ingram to vice presidents. Mrs. Ansley, who has been with the bank 27 years, will be in the commercial loan department as women's counselor and as head of the real estate mortgage department. Mr. Ingram will be in the consumer loan and collection department. He has been with the bank since 1973.

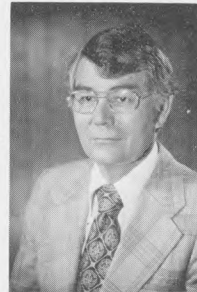
■ **FIRST NATIONAL** of Dona Ana County, Las Cruces, has promoted the following: Dwain Bradshaw to senior vice president/consumer lending; Robert Haynes, credit department, Alden Tombaugh, mortgage lending, Raymond Lind, dealer installment lending, all to vice presidents; and Ronald Wimsatt to auditor from assistant auditor. New assistant vice presidents are Al Provencio, Darwin Rooker and John Bowman.

## Oklahoma

■ **ROBERT LAWRENCE** has been named president, City National, Law-

ton. Mr. Lawrence, a former CEO, replaces Jerry Barker, who resigned as president in January. Other promotions at the bank are: Henry Sabine, Rick Strickland and Johnny Owens to vice presidents from assistant vice presidents; and Jim McConahay to assistant vice president from installment loan officer.

■ **ROGER DEEBA** has been elected a vice president in the commercial loan department of United Oklahoma, Oklahoma City. Also, he is a member of the commercial loan committee. Mr. Deeba has had 18 years' commercial lending experience.



**STEPHENSON**

■ **LARRY E. STEPHENSON**, 1977-78 Oklahoma Bankers Association treasurer, has been elected chairman, in addition to his position as president, Security Bank, Ponca City. Mr. Stephenson also has been elected chairman and president, Security Bancorp., Inc., one-bank HC controlling Security Bank.

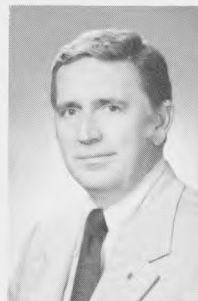
## Tennessee

■ **THOMAS H. STRAWN JR.** has been elected president and CEO, Traders National, Tullahoma. He replaces Ray Copeland, who served in those positions and who will continue as chairman. Mr. Strawn is a member of the law firm of Strawn, Copeland and Conley.

■ **J. LLOYD LANGDON** has been elected president, Hamilton Bank,

### Named Banking Commissioner

**Thomas C. Mottern, pres. and CEO, Hamilton Bank, Johnson County, was named Tennessee banking commissioner by Gov. Lamar Alexander. He joined the bank in 1963 and was elected v.p. in 1964 and pres. and a dir. in 1969. He is a former dir. of the Atlanta Fed's Nashville Branch and former v.p. of the Tennessee Bankers Association.**



Johnson City, succeeding Thomas C. Mottern, who has been appointed Tennessee banking commissioner. Mr. Langdon, who has been a bank director since 1974, recently retired as president of Pet Dairy Division, Johnson City, and corporate vice president, Pet, Inc., St. Louis.



**GOLDEN**

■ **JEFFREY A. GOLDEN** has been named president and CEO, City Bank, McMinnville. He replaces H. B. Roney, who served in those positions for 13 years and was named president emeritus. Mr. Golden also is president, Independent Bankers of Tennessee. In other action, the bank named Von L. Hall first vice president.

■ **CENTRAL STATE**, Lexington, has announced the following vice presidents: James W. Gurley, cashier; Carol A. Stone; Rex Todd and Hattie L. Veteto. All had been assistant vice presidents. Mr. Gurley and Mrs. Stone also were elected directors.

## Texas

■ **FIRST NATIONAL**, Longview, has promoted the following officers: Larry W. Haire to vice president from assistant vice president, Latricia Bennett to assistant vice president from assistant cashier and secretary to the board and Juanita Hoover to assistant vice president from assistant cashier.

■ **LUBBOCK NATIONAL** has more than a \$1-million expansion program under construction in downtown Lubbock. It includes seven new drive-ins, modernization of the main bank building and additional parking facilities for customers and tenants of the 12-story LNB building.

■ **FIRST NATIONAL**, Brownwood, has promoted the following: Rick Kissko, senior vice president; Gerald Weeks, vice president/cashier; David Wilson, vice president; Bruce Fowler, controller; Ann Tucker, auditor; and Teri Newton, assistant cashier. Also, the bank elected Rolland W. Britt, president, General Telephone Co. of the Southwest, to its board.

## Compliance Management

(Continued from page 66)

our bank examiners to be thoroughly knowledgeable in all aspects of banking laws and practices. The increasing volume and complexity of new legislation, particularly in the consumer protection and civil rights areas, soon convinced us that we were asking the impossible of our staff, so we instituted a specialized examination program. These specialists are available to consult with you regarding your individual compliance-management program, and I encourage you to turn to them for assistance.

2. *Adopt written, nondiscriminatory loan policies.* By defining in writing the types of credit you are willing and able to extend and under what conditions, you will be in a position to justify your accepted and rejected loan applications and minimize customer complaints arising from misunderstandings. Written policies, of course, are effective only if they are understood by lending personnel and are reviewed and updated periodically.

Because of the changing profile of the American consumer, credit standards you developed 10 years ago may be costing your bank a great deal of good business. In addition, it is important that you examine your lending criteria carefully to assure yourself that each standard is a business necessity—meaning that there is a manifest relationship to credit-worthiness. Policies that have an adverse impact on minorities or women, for example, run the risk of being challenged.

3. *Implement written application forms and procedures for accepting and processing loan applications.* For your protection, document lending decisions. Model forms have been provided in conjunction with the issuance of both the Fed's Regulation B and Part 338 of the FDIC's regulations. They are particularly useful for those banks not having the resources to develop their own forms.

4. *Provide training for your employees.* Any employee having contact with the public should receive some training in the rudiments of the consumer protection and civil rights laws. Those employees who spend the majority of their time in the lending area require more intensive instruction. Follow-up evaluation of that training through review of completed documentation, review of rejected applications and visual observation will

highlight areas where additional instruction may be necessary.

5. *Take customer complaints seriously.* The number and nature of customer complaints can serve as an audit of the effectiveness of your procedures and training. In any event, it is just plain good business to be responsive to the concerns of your customers.

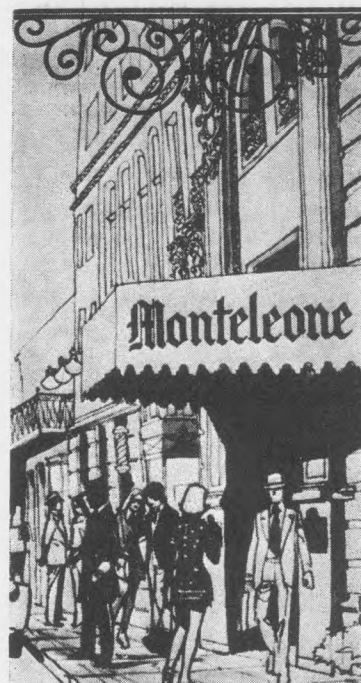
6. *Demonstrate your support of your bank's compliance-management program.* Acknowledge employee performance and contributions in this area of bank operations. Implement an internal control program to make certain your bank's objectives in compliance management are being met. ●●

### Index to Advertisers

American Express Co. (Travelers Cheques) . . . . .	46, 47
Antique Popcorn Wagons . . . . .	43
Bank Board Letter . . . . .	42
Bank of Oklahoma, Tulsa . . . . .	9
Bel-Air Studios & Publishers, Inc. . . . .	60
Boatmen's National Bank, St. Louis . . . . .	91
Christmas Club — A Corporation . . . . .	24
Commerce Bank, Kansas City . . . . .	67
Commercial Credit Business Loans, Inc. . . . .	15
Commercial National Bank, Kansas City, Kan. . . . .	86
Dalton & Associates, W. M. . . . .	33
DeLuxe Check Printers, Inc. (Forms Div.) . . . . .	17
DeLuxe Check Printers, Inc. . . . .	3
Deposit Guaranty National Bank, Jackson, Miss. . . . .	75
Detroit Bank & Trust Co. . . . .	52
Don Howard Personnel, Inc. . . . .	22
Douglas Guardian Warehouse Corp. . . . .	54
Durham Life Insurance Co. . . . .	53
Financial Institution Services, Inc. . . . .	41
Financial Placements . . . . .	81
First Alabama Bank, Montgomery . . . . .	18
First Boston Corp. . . . .	19
First National Bank, Jackson, Miss. . . . .	69
First National Bank, Kansas City . . . . .	73
First National Bank, St. Louis . . . . .	92
First Nat'l Bank of Commerce, New Orleans . . . . .	83
Harris Trust & Savings Bank . . . . .	85
Independent Bankers Association of America . . . . .	39
Insurance Programmers, Inc. . . . .	34
Insured Credit Services, Inc. . . . .	77
Liberty Nat'l Bank & Tr. Co., Louisville . . . . .	71
Liberty Nat'l Bank & Tr. Co., Oklahoma City . . . . .	2
MGIC-Indemnity Corp. . . . .	49
Madison Financial Corp. . . . .	59
Memphis Bank & Trust Co. . . . .	55, 65
Mercantile Bancorp., St. Louis . . . . .	4
Missouri Envelope Co. . . . .	22
Monteleone, The . . . . .	89
Mosler Safe Co. . . . .	21, 23
National Boulevard Bank, Chicago . . . . .	7
National Underwriters, Inc. . . . .	51
Olan Mills . . . . .	36
Plus Group . . . . .	35
Republic National Bank, Dallas . . . . .	13
Southeastern Financial Corp. . . . .	79
Struven, Inc., G. Carlyle . . . . .	57
Tel-Amercall . . . . .	48
Third National Bank, Nashville . . . . .	11
United States Banker . . . . .	63
van Wagenen Co., G. D. . . . .	18
Whitney National Bank, New Orleans . . . . .	45
Woolsey & Co. . . . .	16



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# Fed Answers Regs Questions

*Randall C. Sumner, examiner in St. Louis Fed's consumer affairs dept., answers common questions about federal regulations that affect most banks. Information given here reflects Mr. Sumner's opinions, not necessarily those of the St. Louis Fed or the Board of Governors.*



**Q.** How should prepaid loan origination fees be disclosed in real estate loans subject to Truth-in-Lending? How do these fees affect annual percentage rates?

**A.** Section 226.4(a)(3) of Regulation Z requires that any loan fee, points, finder's fee or similar charge shall be included as part of the transaction's finance charge. As most loan origination fees are paid separately by the borrower before the transaction, provisions of sections 226.8(d)(2) and 226.8(e)(1) will govern. Thus, the amount of the fee must be disclosed as a "prepaid finance charge" and excluded from the "amount financed," according to section 226.8(d)(1). For example, let's consider two transactions, each involving a gross note of \$30,000 at a 10% contract rate, payable in equal monthly installments of \$272.61. Where no loan origination fee is involved, the amount financed is \$30,000 and the annual percentage rate is 10%. Where a 1% loan origination fee is charged, the amount financed becomes \$29,700; the prepaid finance charge is \$300, and the annual percentage rate is increased to 10.13%. The only correct annual percentage rates that may be stated for the transaction are 10.13% or 10.25%, which is rounded off to the nearest one quarter of 1%.

**Q.** What methods may be used to ensure compliance with provisions of Regulation B relating to denial of consumer credit when the credit application is submitted by a third-party dealer?

**A.** In a typical transaction, a dealer receives a credit

application and "shops" it by asking one or more financial institutions if they will purchase the contract. If one or more agree and credit is extended, no adverse action has occurred and no notices need be sent. If no one agrees and credit is not extended, adverse action occurs. Each institution may comply with the notice requirements; OR one party, presumably the dealer, can satisfy the requirement for all, but the name of each institution "shopped" must be provided on the statement.

**Q.** Under what conditions may creditors delete the annual percentage-rate disclosure in transactions otherwise subject to Truth-in-Lending requirements?

**A.** Section 226.8(b)(2) of Regulation Z provides that in sale and non-sale credit, the creditor shall disclose the finance charge expressed as an annual percentage rate except when the finance charge does not exceed \$5 and the amount financed does not exceed \$75, or when the finance charge does not exceed \$7.50 and the amount financed exceeds \$75. Several state laws have been amended to allow minimum charges on small loans in excess of the above amounts. While Regulation Z imposes no restriction on the minimum-charge amount, it does require disclosure of an annual percentage rate where the dollar amount of the minimum charge exceeds the \$5/\$7.50 guidelines. Thus, a note payable in 30 days with an amount financed of \$100 and a minimum charge of \$10 would require disclosure of an annual percentage rate of 120%.

## Texan Is First Banker To Receive Scholarship For Supervisory Training

David L. Brady, executive vice president, Bayshore National, La Porte, Tex., has been awarded a full scholarship for the 1979 session of the Louisiana Banking School for Supervisory Training. According to William F. Staats, the school's director, Mr. Brady is the first banker to receive the scholarship. He was president of the 1978 graduating class of the School of Banking of the South.

The Supervisory Training school is a nonprofit school sponsored by the Louisiana Bankers Association. Bankers from eight states have attended the school, which is held at the University of Southwestern Louisiana, Lafayette.

The faculty consists of about a dozen bankers and educators from throughout the U. S. The one-week school is scheduled for May 13-18, 1979. For more information, write: LBSST, P. O. Box 17390, Baton Rouge, LA 70893.

## Bank Announces Expansion Of Matching-Gifts Program

Dollar for dollar, Continental Bank Foundation of Chicago will expand its matching-gifts program to match bank employees' contributions to cultural and health care institutions.

The program will continue to match contributions to colleges and universities, says Roger E. Anderson, the bank's chairman.

Retired employees and full-time employees with six months' service can contribute from \$25 to \$2,000 in any of the three categories during a calendar year as long as the combined total does not exceed \$4,000.

Also, more than \$479,000 was approved in grants to 64 organizations at the foundation's recent annual meeting.

"Our annual foundation contributions are a practical and effective way to express our commitment to the community in which we conduct our business," Mr. Anderson says.

Continental began its matching-gifts program, for tax-exempt institutions that are open to and operate for the public, in 1971. The annual contribution has averaged \$60,000.

The foundation has contributed more than \$3 million a year for the past six years to more than 111 organizations and projects.





Oscar E. Berninghaus

Railroad expansion in the Midwest was running full ahead during Boatmen's early years. This painting, by Oscar E. Berninghaus, was commissioned by The Boatmen's National Bank of St. Louis and is one of many paintings that comprise the Boatmen's Fine Arts Collection, one of the largest in the United States.

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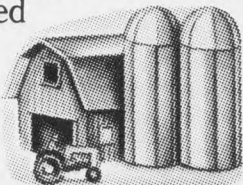
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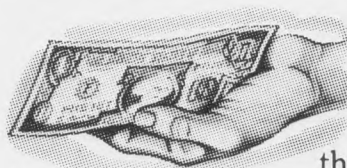
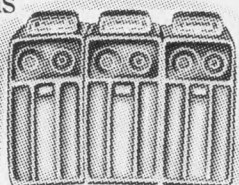
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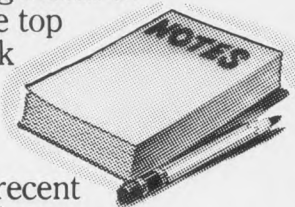
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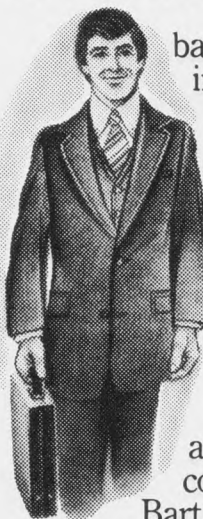
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