

# MID-CONTINENT BANKER

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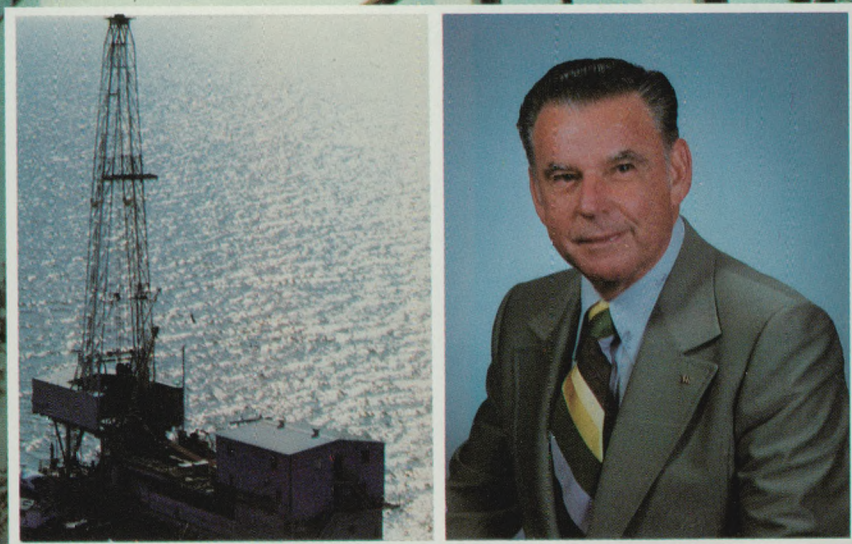
APRIL, 1979

**Kansas Convention**

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**Texas Convention**

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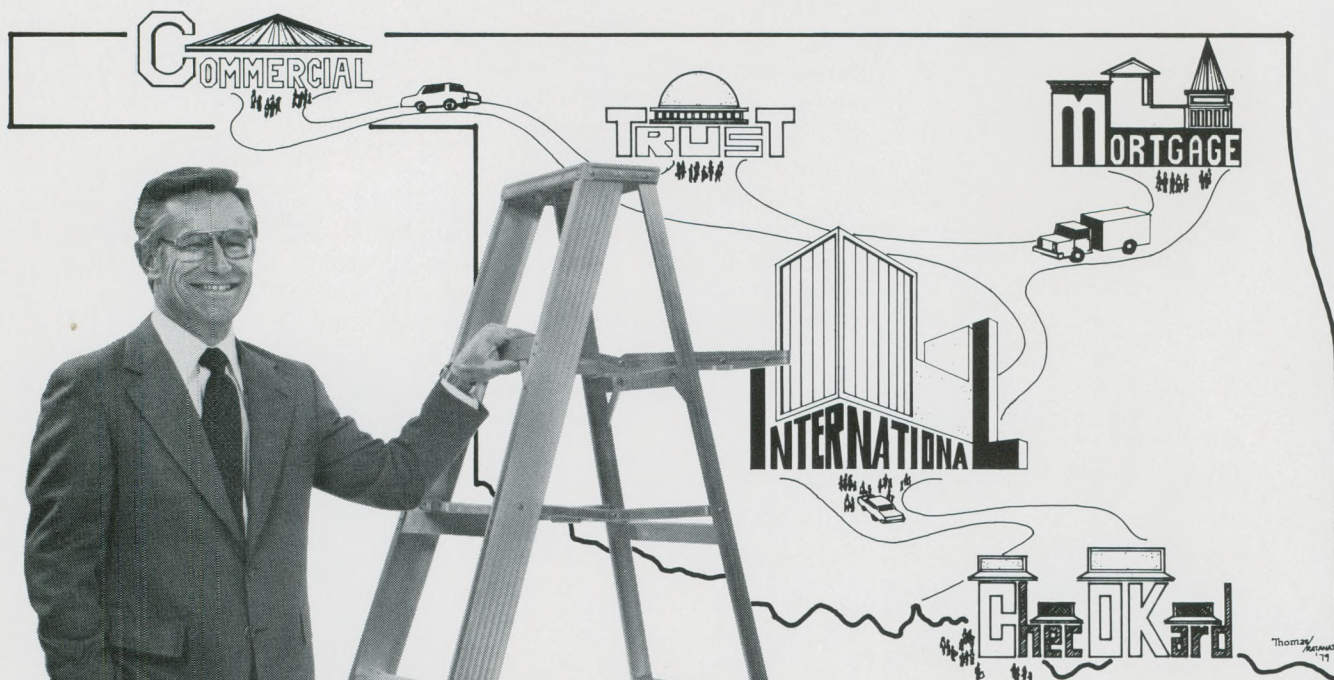
Terrebonne Tower Marks  
New Economic Era

Page 53

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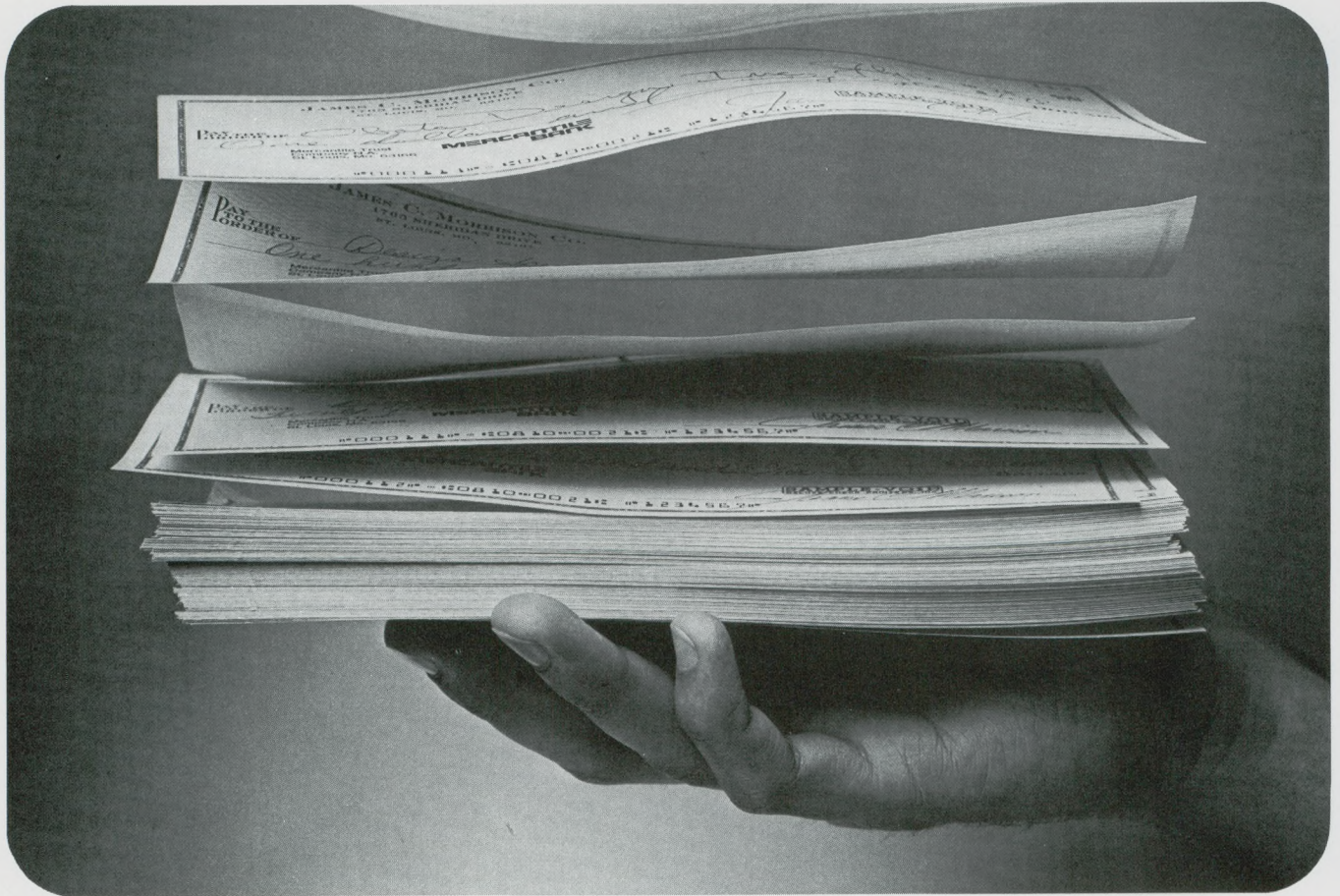
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MID-CONTINENT BANKER for April, 1979

# Convention Calendar

# MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

Volume 75, No. 4

April, 1979

- 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.
- May 20-23:** Bank Administration Institute Annual Bank Tax Conference, Dallas, Fairmont Hotel.
- May 24-25:** Robert Morris Associates Term Lending Workshop, New Orleans, Royal Orleans Hotel.
- May 27-30:** AIB Annual Convention, Philadelphia, Philadelphia Marriott.
- May 27-June 8:** Bank Marketing Association School of Bank Marketing, Boulder, Colo., University of Colorado.
- May 28-31:** Alabama Bankers Association Annual Convention, Hilton Head, S. C., Hyatt on Hilton Head.
- May 30-June 2:** ABA Trust Profitability Seminar, Atlanta, Omni International Hotel.
- May 30-June 1:** Bank Administration Institute Conference on Banking Issues, Dallas, Anatole Hotel.
- May 31-June 1:** Robert Morris Associates Managing Your International Loan Portfolio Workshop, Chicago, Watertower Hyatt.
- June 3-5:** ABA Bank Planning Workshop, St. Louis, Sheraton-St. Louis Hotel.
- June 3-6:** ABA Bank Trainers Workshop, Atlanta, Atlanta Marriott.
- June 3-8:** ABA National School of Bank Investments, Urbana-Champaign, Ill., University of Illinois.
- June 6-8:** ABA Trust Profitability Seminar, Chicago, Hyatt Regency O'Hare.
- June 6-8:** Illinois Bankers Association Annual Convention, Chicago, Chicago Marriott.
- June 6-8:** Association of Bank Holding Companies Annual Meeting, Milwaukee, Pfister Hotel.
- June 7-10:** 36th Assembly for Bank Directors, Toronto, Harbour Castle.
- June 10-22:** ABA's Stonier Graduate School of Banking, New Brunswick, N. J., Rutgers University.
- June 12-14:** Indiana Bankers Association Annual Convention, French Lick, French Lick-Sheraton Hotel.
- June 13-15:** Robert Morris Associates Officers' Planning Workshop, New Orleans, Royal Orleans Hotel.

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Aggressive marketing program pays off
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Package plans can help justify cost
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Links HC's nine banks, 150 branches
- 42 AVAILABLE FUNDS UP \$700,000 A DAY**  
With bank's new MICR system

Rosemary McKelvey

## SPECIAL SUPPLEMENT (Between Pages 54 and 99)

- BG/5 NOT EVERYONE CAN SELL; BUT EVERYONE CAN PROSPECT
- BG/6 EVERYTHING YOU EVER WANTED TO KNOW  
ABOUT RUNNING AN INCENTIVE CAMPAIGN
- BG/9 POPCORN DIPLOMACY
- BG/10 COMMUNICATE BETTER WITH EMPLOYEES
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- BG/18 'MINI-LETTERS': EFFECTIVE MAILING TOOL
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# The Banking Scene

## Dramatic Boost in Demand-Deposit Turnover

By DR. LEWIS E. DAVIDS

Illinois Bankers Professor of Bank Management  
Southern Illinois University, Carbondale

AT A TIME when many economists are talking about the change in M-1, narrowly defined as money in the form of currency and demand deposits, I believe we should talk about an even more important element in that change — the dramatic increase in demand-deposit turnover.

For several months, I have discussed this with commercial banking and Fed economists (see Federal Reserve chart). Whereas in 1975 there was approximately a 105.3 turnover rate, today the figure probably is more than 140 times a year. Stated another way, in four years, demand-deposit turnover has increased more than 30%



— at least twice a week. These figures may be somewhat higher than the average U. S. bank because they include turnover of major New York City banks; without them, 1975 turnover

increased from 72.9 to 95.9.

Looking only at New York City banks, the figures go from 356.9 in 1975, or a turnover every day of the year, to 553 by July, 1978. By June, the figure had reached almost 600 turnovers a year. Major Chicago banks have had similar experiences with turnover rates.

A large New York bank may have a high turnover rate, but some of its accounts will be dormant and relatively inactive. Some of those large banks that have had more than a 553-times demand-deposit turnover must have some accounts with substantial stabil-  
(Continued on page 20)

### Bank Debits and Deposit Turnover

Debits are shown in billions of dollars, turnover as ratio of debits to deposit. Monthly data are at annual rates.

Bank group, or type of customer	1975	1976	1977	1978				
				Apr. <sup>1</sup>	May <sup>1</sup>	June <sup>1</sup>	July <sup>1</sup>	Aug.
Debits to demand deposits <sup>2</sup> (seasonally adjusted)								
1 All commercial banks.....	25,028.5	29,180.4	34,322.8	39,113.7	39,590.0	41,538.5	40,575.1	42,722.1
2 Major New York City banks..	9,670.7	11,467.2	13,860.6	15,128.0	14,774.6	15,976.0	15,355.3	16,432.9
3 Other banks.....	15,357.8	17,713.2	20,462.2	23,985.7	24,815.4	25,562.5	25,219.7	26,289.2
Debits to savings deposits <sup>3</sup> (not seasonally adjusted)								
4 All customers.....			174.0	425.5	398.1	444.0	432.1	433.0
5 Business <sup>1</sup> .....			21.7	49.5	51.9	61.5	55.6	57.6
6 Others.....			152.3	376.0	346.1	382.6	376.5	375.4
Demand deposit turnover <sup>2</sup> (seasonally adjusted)								
7 All commercial banks.....	105.3	116.8	129.2	137.6	139.4	144.4	139.0	146.2
8 Major New York City banks..	356.9	411.6	503.0	547.9	555.3	596.0	553.0	577.5
9 Other banks.....	72.9	79.8	85.9	93.5	96.4	98.0	95.5	99.7
Savings deposit turnover <sup>3</sup> (not seasonally adjusted)								
10 All customers.....			1.6	1.9	1.8	2.0	2.0	2.0
11 Business <sup>1</sup> .....			4.1	4.6	4.7	5.5	5.1	5.2
12 Others.....			1.5	1.8	1.6	1.8	1.8	1.8

<sup>1</sup> Represents corporations and other profit-seeking organizations (excluding commercial banks but including savings and loan associations, mutual savings banks, credit unions, the Export-Import Bank, and Federally sponsored lending agencies).

<sup>2</sup> Represents accounts of individuals, partnerships, and corporations, and of States and political subdivisions.

<sup>3</sup> Excludes negotiable orders of withdrawal (NOW) accounts and special club accounts, such as Christmas and vacation clubs.

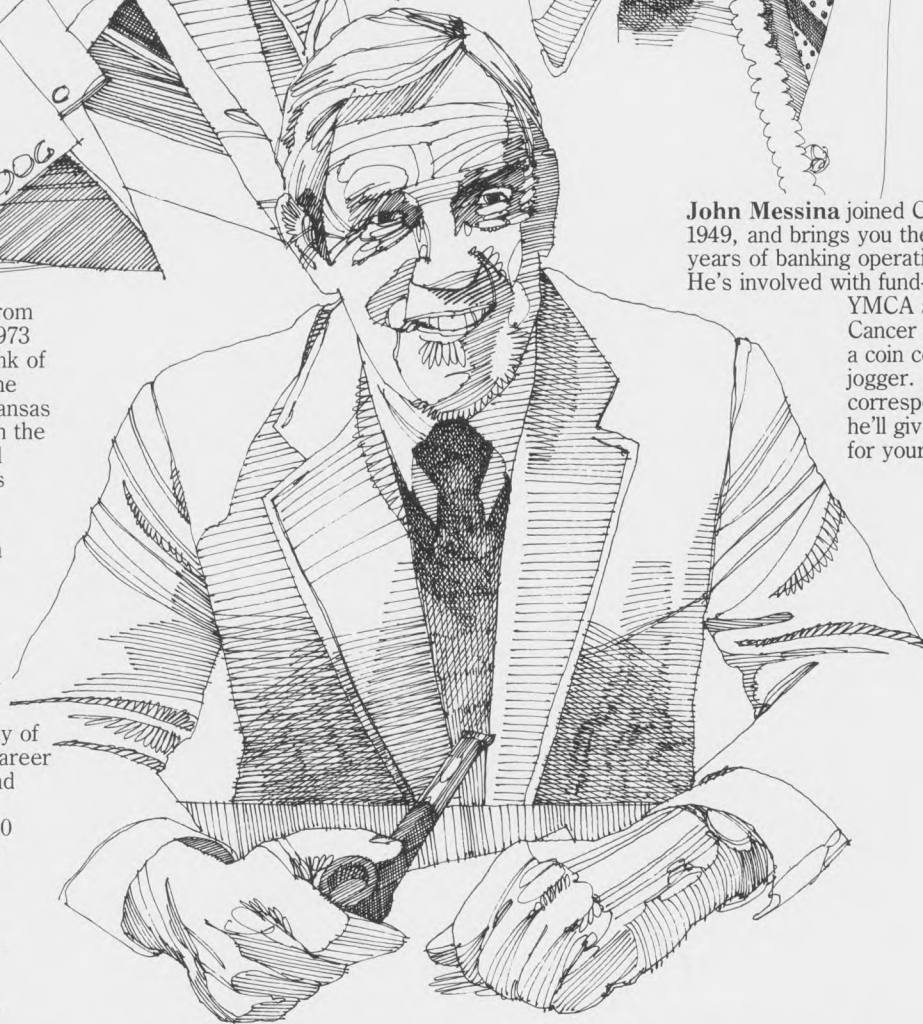
NOTE.—Historical data—estimated for the period 1970 through June 1977, partly on the basis of the debits series for 233 SMSA's, which were available through June 1977—are available from Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. Debits and turnover data for savings deposits are not available prior to July 1977.

# Get to know your Commerce banker.



**Steve Erdel** graduated from Westminster College in 1973 and joined Commerce Bank of Mexico, Missouri the same year. Before moving to Kansas City, he was involved with the Audrain County Historical Society. Outside interests include snow and water skiing, photography and hunting. When you need a good correspondent banker with a lot of agribusiness expertise, look for Steve Erdel.


**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."



**John Messina** joined Commerce in 1949, and brings you the benefit of 30 years of banking operations experience. He's involved with fund-raising for the YMCA and American Cancer Society. John's a coin collector and jogger. In correspondent banking, he'll give you a good run for your money.

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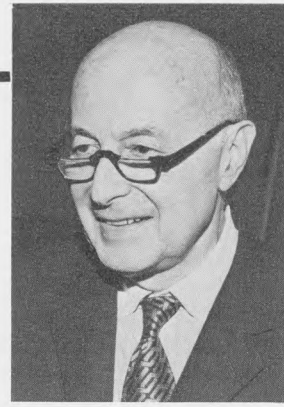
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MID-CONTINENT BANKER for April, 1979



### *Prime Rate to Peak Late in '79; Drop—Sharp, When It Comes!*

**Q. Have interest rates reached their peak?**

A. In my opinion, absolutely not.

**Q. How high might the prime rate rise in 1979?**

A. I think closer to 15% than where it is now.

**Q. Do you think we will have reached that peak sometime in 1979, or later?**

A. We will be closer to the peak at the end of 1979 than we are now. I would summarize my view of the "big picture" by saying that 1979 will go down in history as the year of fear (justified) . . . 1980 as the year of hope (not so justified) . . . and 1981 as a year of performance. In that three-year perspective, there's some elbow room for rates to come down in 1980.

**Q. When we do see a decline in the prime rate, do you think there will be a sharp drop such as the one that occurred back in 1974-75?**

A. When the drop comes . . . and it's for "real" . . . rates will go down so fast you'll never remember they were up. Remember, we had a drop a short time ago. It was gradual . . . and it was a false start. But it didn't take very long for the real trend to reassert itself. I said that drop would be a phony when it started.

**Q. Do you think it is possible to get our inflation under control?**

A. Absolutely.

**Q. How would you do it?**

A. Get our own (money) back from the foreigners. Actually, I don't think this is feasible under present conditions to do so in a purely domestic frame of reference, but I think that if we developed a realistic foreign policy, we could do whatever the prevailing political requirements oblige us to do domestically and still put an effective stop on inflation.

**Q. In what period of time might we accomplish this?**

A. Long term? A couple of weeks? I'm a roaring optimist. Next time you get a government (a realistic U. S. government), it'll be a pipe (cinch).

**Q. What about the value of the dollar? Do you expect it to rise or fall in the year ahead?**

A. The dollar is not a market instrument. It's a political chip. The weakness of the dollar is due to the default of the government to act (in labor-union terms) as the bargaining agent for the American economy against other governments, which, in fact, do continuously, energetically and assiduously act as bargaining agents for their respective economies. Our own government is bargaining against our economy. It does when our President tells us with evangelical iciness that OPEC is here to stay, that it is too firmly institutionalized to be ripped apart . . . and at a time when OPEC is, in fact, ripping itself apart.

**Q. Will we see the beginning of a recession in 1979?**

A. I don't think so. Housing has peaked; the automotive industry is coming down, but the economy is now so big it can run on its own.

**Q. What about 1980?**

A. I don't think it's a recession you have to worry about. Something much worse if this goes on.

**Q. And that is?**

A. The only word for it is depression. Quite frankly, I think lending institutions are fueling the fire with consumer debt. There's no way in the world, at present tax rates, that consumers can earn their way out from

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Eliot Janeway, nationally known political economist and columnist, agreed last month to a telephone interview by editors of MID-CONTINENT BANKER. His views on interest rates, inflation, the economy, consumer debt and prospects for Mexican oil are presented here.

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under the debt load they're putting on top of themselves. Yet there is nothing more profitable (to the lender) than peddling retail credit.

Furthermore, the public doesn't care how much it borrows. Interest rates are not a restraint as advertised. The public doesn't really know (or care) how much of monthly payments (for two cars . . . one that doesn't run) goes for interest and how much for product. And if you told them, it would not restrain them.

**Q. You already have answered (in part) my next question. In the next six or 12 months, will there be any significant change in the economy that would affect the consumer's repayment of outstanding debt?**

A. They (the public) would just borrow more. Consumers are like the countries of Zaire, Zambia or Indonesia. They'll borrow the interest! They'll borrow the repayment. If institution A, which loaned them the money, isn't prepared to give them the means of repayment, institution B will. You have good credit as long as you can use the proceeds of one loan to pay off the other.

**Q. Let's talk about new-car sales. They are an important source of financing for banks. Can we see a significant downturn?**

A. I think so. So what?

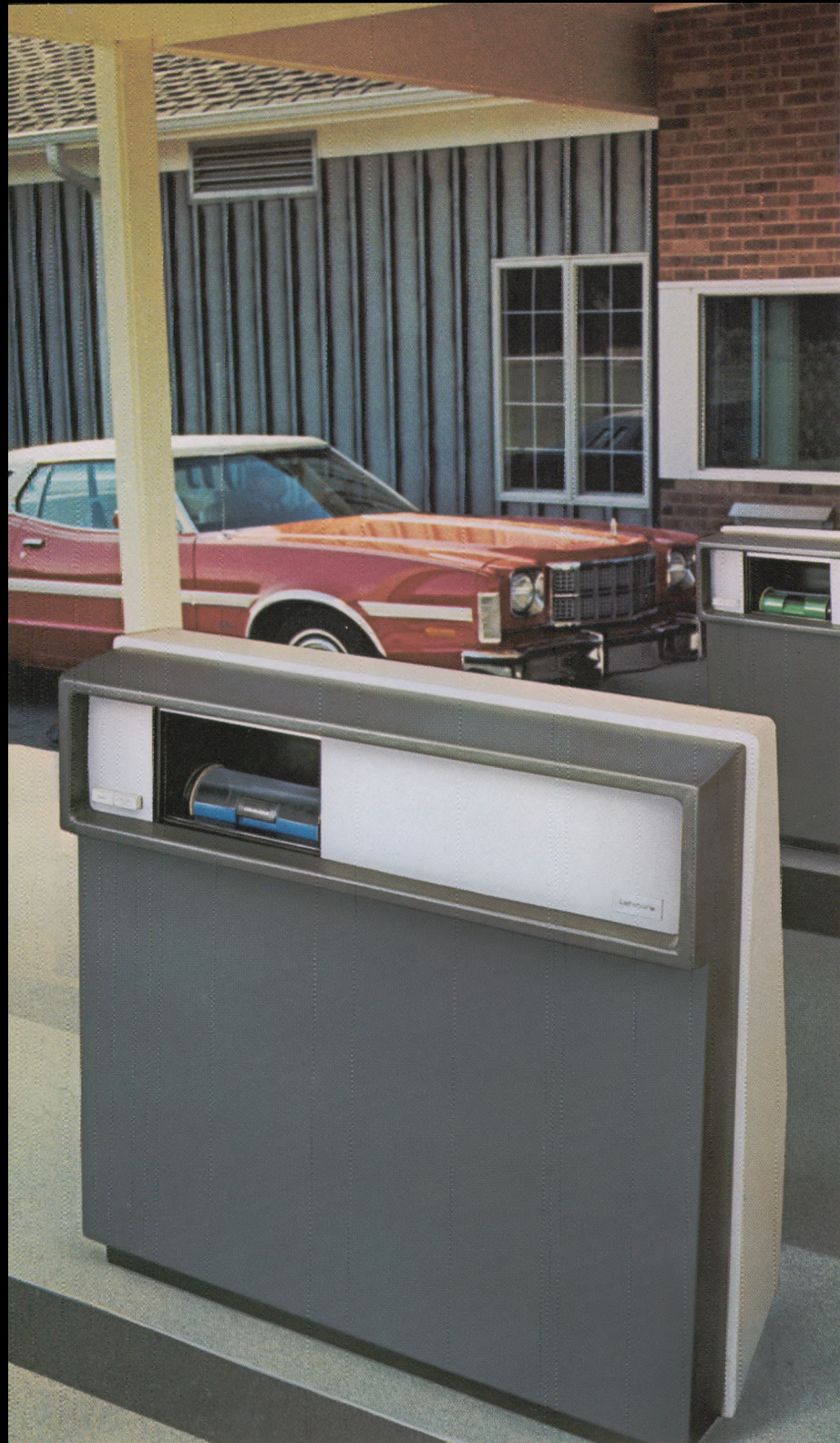
**Q. No particular problem?**

A. Actually, banks probably will find it more profitable to lend money to spend on meals or on vacations. There's no doubt that the consumer is like the builder. As long as a builder can borrow, the builder will build. As long as the consumer can borrow, the consumer will spend. No one is borrowing money to save it!

**Q. Let's talk about the Federal Reserve System. What are your thoughts on proposed legislation that would require universal Federal Reserve membership?**

A. I'd be against it. If you don't want  
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to be in (a member), you should pay the penalty and enjoy the privilege of being out. We've heard a lot about discipline. Well, let's put a discipline on the Fed. To paraphrase an old college song: "Who'll discipline the disciplinors while the disciplinors are out breaking the rules?"

I think departures are a welcome discipline on the Fed. Anybody who leaves the Fed is doing so with eyes open.

One criticism I have of the Fed (to answer a question you haven't asked) is that the board members spend more time fussing over whether the Second National Bank of Sioux Falls, S. D., should be allowed to open a branch in Sioux Falls, N. D., than they spend on trying to unravel and clean up their own messed-up statistics.

We're all over-regulated. It's a disgrace that financial institutions just so happen to spend one-third of overhead on complying with regulations as do companies with hot metals or hot chemical spending in dealing with the environmental agency. You'd think the Fed was supervising a lot of furnaces.

**Q. Let's talk about consumer-protection acts. Can you see Congress continuing to pass consumer-protection laws, or have banker protests cooled Congress down a bit?**

A. Even if you put consumer-protection clauses on every note, it would not restrain the borrower, nor the lender. The public (at large) really doesn't care what it costs. The people want the accommodation. They want to spend what they don't have, and if one bank won't lend it to them, they'll borrow from another.

**Q. A final question. Let's turn our attention south to Mexico. What prospect do you see for us to sell American technological services to help Mexico extract its oil?**

A. Tremendous. But let's not take payment in money. Let's get a call on their oil. There's no shortage of oil. The question is about reserves. So let's get a call on their reserves.

**Q. Would you like to wind up with a comment, Mr. Janeway?**

A. It's a time not to panic. We've had crises before. People take a while to wake up to the fact they have been had. Then they make up for lost time and they all compensate in solving problems that — because of irresponsibility and smugness — were allowed to continue.

To put this in perspective, remember that in 1860 Lincoln and Douglas developed a convergent con-

cept toward slavery. In 1940, Roosevelt and Willkie did the same toward Hitler. And I have no doubt that in 1980 "whoever and whoever" will develop a convergent focus on the need for an American foreign financial policy. The country is ready for it.

So I wouldn't give up the ship just because we are going to be taken to the cleaners in 1979. But we do need to enable our people to keep more of their pay increases so that they can earn what it takes to support the debt they already have incurred. ●●

### A Decade of Service

First Missouri Development Finance Corp., a statewide business development corporation, has marked its 10th anniversary. During that time, the firm has authorized more than \$21 million in loans to Missouri businesses.

The Jefferson City-based organization was established in 1968 to supplement the banking industry in providing long-term credit to credit-worthy firms in Missouri needing assistance for construction, business acquisition, expansion and operating capital.

The firm's financial base is shareholders' investments represented by industries, utilities, insurance companies and financial institutions, along with a "funding pool" provided by lines of credit extended by the corporation's many member banks across the state.

Primarily interested in Missouri's economic development, First Missouri's direct efforts have been the creation and/or retention of more than 4,900 jobs for Missourians. The firm, directed by a 15-member board representing each congressional district in the state, tries to consider all areas of the state in the commitment and allocation of its funds. To date, loans have been authorized to firms in 43 counties.

Often, a firm's bank of account will refer the firm to First Missouri and will participate with the corporation in extending funds to the business.

Jerry Stegall, executive vice president, said programs have been developed by the corporation, including "small-enterprise loan" and "sale-leaseback" programs, in order to broaden the range and structure of assistance available.

According to Mr. Stegall, First Missouri is one of 30 such organizations in the United States and frequently is consulted about establishing similar corporations in other states, such as California and Texas.

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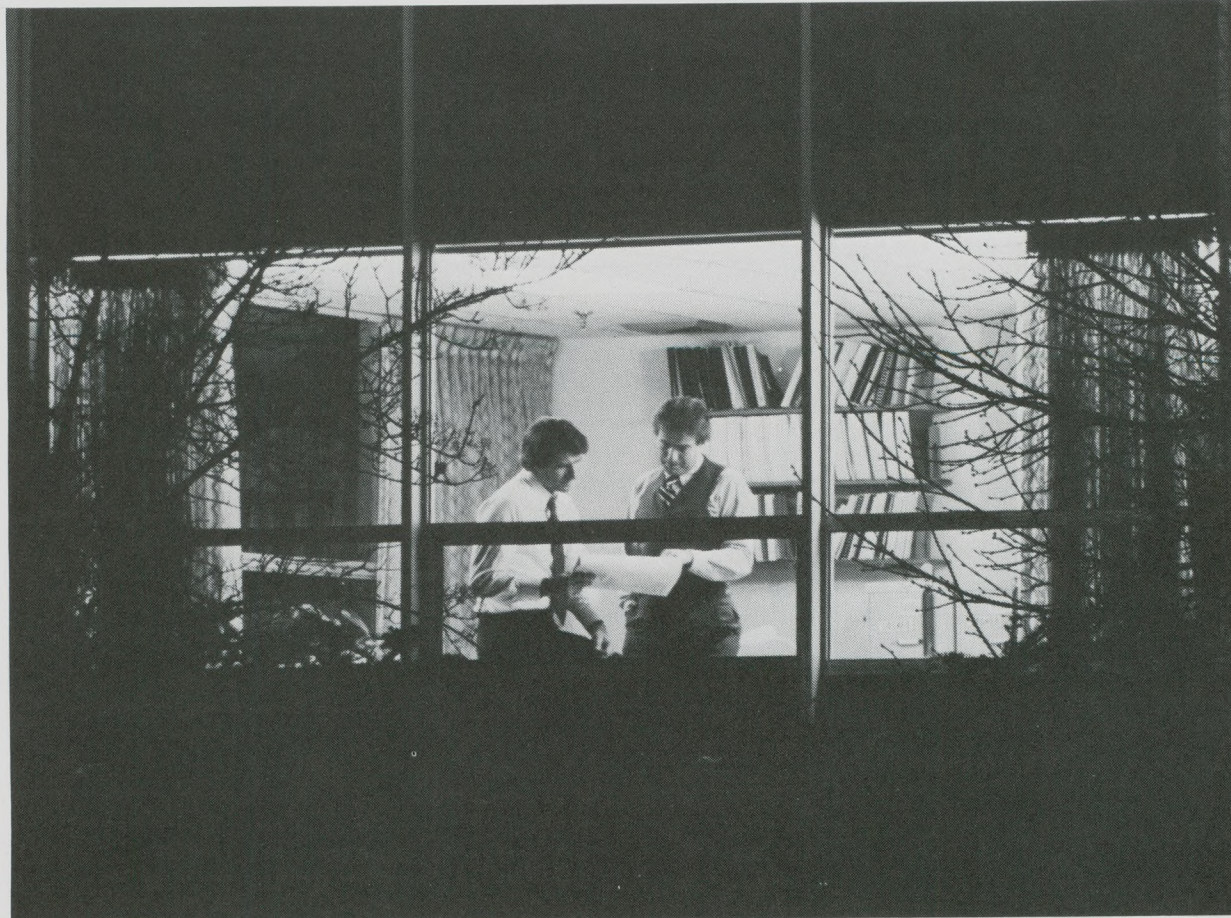
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# Selling/Marketing

*Information Pays Off:*

## Bank's Newcomers Kit Draws \$60,000 in New Accounts

Second National, Ashland, Ky., wants to be a newcomer's first friend and has developed a newcomer kit to give people when they move into the Ashland area.

The kit is reported to be the first of its kind to group information about the seven separate municipalities in the bank's tri-state area, which includes northeastern Kentucky, southeastern Ohio and western West Virginia.

Contents of the "Newcomer Packet" include a "This Is Ashland" booklet, which provides information on police and fire protection; utility information

and registration details of the following: schools, voter, motor vehicles, driver, hunting and fishing licenses, boats and animals. Airports, newspapers, television channels, churches and post offices are included, too. Each fact is accompanied by a corresponding address and telephone number.

Also, the bank includes separate brochures recapping all its services. Also enclosed are charge-card applications, a postage-paid card to return for more information about the bank and banking hours.

The entire packet is enclosed in a sturdy box that fits in a car glove compartment, briefcase or purse.

Development of the packet took about six months to complete, says



Contents of Second Nat'l newcomer's kit includes city and state maps, "This Is Ashland" booklet and bank services brochures.

Lawrence G. LaBeau, vice president/marketing. His department contacted each municipality, county government, utility and school for the information.

All artwork, typesetting, layout and printing was done by Christiansen & Associates, a Nashville advertising agency. Final cost was \$7.10 per packet on the initial order. This cost reflects all artwork and layout, Mr. LaBeau says. Reorders will cost about \$2.64 each.

The packets are distributed from the bank, which receives newcomers' names and addresses from local industry and real estate developers. And these packets are bringing in new business. Six months after distribution, the packets have been credited with bringing more than \$60,000 in new money to the bank. About 35% of those who have received the kit have opened new accounts usually six weeks after it has been mailed to them.

Ashland's newcomer kit is such a success that several companies have asked to buy advertising space in it, and a college wants to buy the "This Is Ashland" booklet for a recruitment tool.

The packet has made a hit with the bank, too. It's planning revisions for the 1979 edition.

Second National is proving that helping the area newcomer means helping the bank, too!

*For Small Firms:*

## Financial Seminar Held For Nonfinancial Executives

Fort Worth National was the sponsor of a 10-week financial management seminar for nonfinancial executives of small businesses.

Specially designed for executives of

MID-CONTINENT BANKER for April, 1979

*Rockford Aisles:*

## Supermarket Banking Services A First for City, Customers

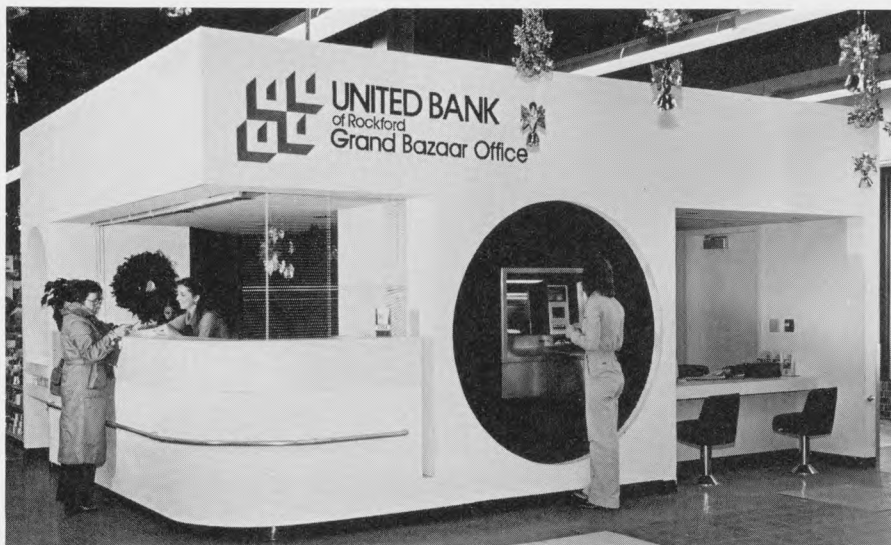
Citizens of Rockford, Ill., can add one more item to their grocery lists as of last August — banking services. United Bank has opened a facility in the Jewel Grand Bazaar supermarket. The office is said to be the first of its kind in the city and maintains a staff of four and a 24-hour ATM.

United wanted to increase its total market share and to reach a different market segment. To create a strong impact, the bank forewent a traditional

facility and ended up significantly reducing construction costs by working within a pre-existing structure.

The Bazaar location was picked for its heavy traffic through the store and because it complied with Illinois banking law, which states bank facilities must fall within 1,500 feet of the main office.

The office, equipped with FDIC-approved security that includes alarms linked with police and movie cameras to survey the office area, offers travelers checks and money orders. In addition, it's open six days a week and has a night depository.



It won't check out groceries but it will cash checks. United Bank, Rockford, Ill., opened banking facility in supermarket to increase market share and reach different market segment. Office complies with Illinois banking regulations, has staff of four and offers most banking services.



## **Don Lackamp. Livestock credit analyst.**

Don Lackamp is your banker's banker, specializing in livestock credit analysis. Feel free to call him or any one of the First National Correspondent staff for help at any time.

Other specialists in the Correspondent Division are George Dudley, Gene Foncannon, Bill Dexter,

John Fowler, John O'Connor, Bill Weis, Dean Howard, Greg Wartman, Bob Shultz and Paul Ward.

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# The Senior Class '79



**Business Leaders Aid Bank**

To help its board evaluate and meet the community's needs for financial services, a small Missouri bank has appointed 10 area business leaders to its newly formed advisory board.

The advisory board of Farmers Trust, Lee's Summit, an affiliate of First National Charter Corp., Kansas City, will meet quarterly.

Representing a wide range of business interests, the advisory board members' professions include lawyer, contractor, car dealer, lumber company president, co-owner of a farmers' exchange, executive vice president of American Royal Association, a senior vice president of United Farm Agency and an orthodontist.

small manufacturing, retail and service businesses and owner-managed businesses that want to increase their financial management knowledge, the course was held for two hours every Tuesday night in the bank's operations center training room.

According to Joseph M. Grant, the bank's president, the course explained in "simple, clear language what finan-

cial management is, why it can greatly improve profitability and how executives can communicate more effectively with their company's financial advisers."

Subjects covered included corporations, partnerships and proprietorships, financial-statement analysis, break-even analysis, budget and profit planning, dealing with bankers, estate planning and ratios as indicators of effectiveness.

The \$140 course fee is tax deductible and includes text materials and bank garage parking.

*'Managing Today's Market':*

**BMA Marketing Conference Scheduled for May 23-25**

The theme of the Bank Marketing Association's annual marketing planning conference is "A Planning Process for Managing Today's Market." It will be held May 23-25 at the Chicago Marriott Hotel.

A conference highlight will be a four-session workshop conducted by University of Kentucky professor James H. Donnelley Jr. on how to develop a situation analysis, form attain-

able goals and pursue a plan of action to reach those goals.

Other session topics include "The Consumer as Part of the Planning Equation" by Melanie Payne, vice president, Elrick & Lavidge, Inc., Chicago; "Planning for Pricing" by John A. Pratt, president, John A. Pratt & Associates, Lakewood, Colo.; pending government legislation that may affect bank planning by James E. Smith, executive vice president, First Chicago Corp.; planning for the future evolution of EFTS by John F. Fisher, senior vice president, First Bank Group of Ohio, Columbus;

"Zero-Based Advertising" by Carl J. Arrigo, assistant vice president and director of corporate advertising and promotion, Manufacturers Hanover Trust, New York City; "A Focused Approach for Product Development" by Carl W. Olson, senior vice president, Northwest Bancorp., Minneapolis; "Marketing Planning at the Medium-Size Bank" by Donald A. Rauschenberg, vice president and director/marketing, Peoples Trust, Fort Wayne, Ind., and "Using Economics in Marketing Planning" by Thomas Giess, professor of economics, University of Michigan.

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# Installment Lending

## BofA Speeds Up Car-Loan Applications

CAR BUYERS today usually don't make cash-and-carry deals. They go car shopping at dealerships, find what they want and then take all the details to their banks to complete loan applications. Maybe "tomorrow" they'll know whether those banks will approve their new car loans.

Bank of America, San Francisco, has made this entire process more efficient by installing Qwip Systems fax units in several auto dealers' offices in the bank's 1,000-branch territory. These units are hooked up to a network of facsimile units installed in BofA's 35 major auto loan centers. (Qwip Systems is a division of Exxon Enterprises, New York City.)

While still at the dealership, a prospective customer can decide on a car purchase, sit down and fill out a loan application and give it to the car salesman. The salesman then feeds the application into the Qwip unit, which

transmits it to one of the bank's auto loan centers for processing. The centers are linked with California's two major credit bureaus allowing access to an applicant's credit record.

After checking the applicant's credit record and the loan application, the loan officer either approves or turns down the loan. The entire process is said to take an average of 20 minutes from receipt of the application at the bank.

In addition to the 215 fax-equipped auto dealerships, BofA has similar hookups with building suppliers, boat dealers, aircraft lessors and recreational vehicle dealers.

Obviously, most banks don't have as many auto dealers to work with as does Bank of America, but banks with at least five or six dealers could make use of this equipment.

The bank also uses the Qwip system for signature verification, personal

loan applications and approvals, teller summaries, daily cash records, mortgage loan reports, new-account information, lost paybook lists, stop-payment notices, overdrawn-check-account data, security "alert" data, inter-branch transfers, balance sheets, general correspondence, letters of credit and money-transfer documents and instructions.

Qwip units weigh 16 pounds and may be carried from one office to another because all they require to operate is a telephone line and a power outlet. The units have an exclusive "repair by replacement" policy in which defective units are replaced immediately after notification rather than being repaired on location.

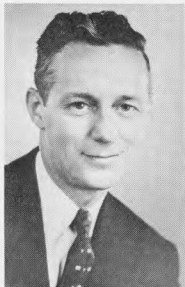
According to Qwip Systems, the machines are the least expensive of any in the facsimile industry. At present, there are three Qwip models, all of which can be rented or purchased. ••

## NEWS OF THE BANKING WORLD

• **Alan C. Wheeler** has been named assistant general auditor for the St. Louis Fed. He joined the bank in 1974 as assistant vice president with responsibility for the operational analysis department and now will direct periodic audits and examinations of the Fed branches in Little Rock, Louisville and Memphis.

• **Al Campbell** has been named regional vice president, Federal Land Bank, Wichita. He will have supervisory responsibilities for 10 bank associations in eastern Kansas and eight in eastern Oklahoma.

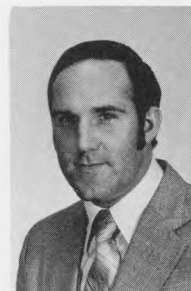
### Wilson Parfitt Dies



Wilson Parfitt, 67, who retired in 1974 as comptroller and secretary of the Bank Marketing Association, died in February of a heart attack. He was assistant vice president/advertising, business development and public relations at First National, McKeesport, Pa. (now

Equibank, Pittsburgh), when he joined the association in 1954.

### CAMPBELL



• **James T. Ashford**, former president and director, Archer National, Chicago, has been named vice president, Bank Administration Institute, and director, center for bank director education.

### Bobbye Taylor Dies

Bobbye Taylor, president of the National Association of Bank Women during 1969-70, died recently in Lamesa, Tex., where, at one time she was assistant vice president of First Nat'l. A scholarship fund has been established in her honor for her contributions to the advancement of the association.

During her presidency, Miss Taylor stressed professionalism to women bankers. She took office during a period of transition, when there were approximately 9,000 members. Ten years later, NABW has nearly 21,000 members, "an increase which her vision and courage made possible," wrote the *NABW Journal*.

The Bobbye Taylor Scholarship Fund will be awarded to a woman enrolled in the NABW-degree program to further the development of her career.



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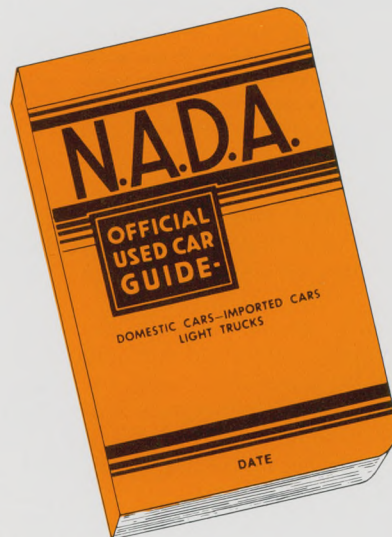
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MID-CONTINENT BANKER for April, 1979

# Community Involvement

## *Inflation-Fighting Meals:*

### **BofA Grant Puts Fresh Food On Senior Citizens' Tables**

Bank of America, San Francisco, gave a \$25,000 grant to a nonprofit organization that provides fresh food at cost to 9,000 senior citizens.

With the bank's grant, the Food Advisory Service plans to expand its Los Angeles operation of 21 sites serving 2,000 persons to 62 sites serving 9,300.

In the Bay Area, six vans deliver food purchased at wholesale markets to about 7,000 persons via 85 mini-



Pat Coates (l.) and Sandi Piccini, co-founders of Food Advisory Service, are shown at one of 85 mini-markets in San Francisco area where senior citizens can buy fresh vegetables, fruit and meat for 30-45% less than in supermarkets.

markets, which are curb-side marts at community centers and housing authority sites. The 1979 goal for the Bay Area is 112 sites serving 10,700 persons.

In addition to its food service, the company employs 60 disadvantaged persons, including elderly and ex-offenders, in its 22,500-square-foot headquarters. They do industrial packaging and repair charge-card imprinters.

The company was founded six years ago by two San Bruno, Calif., housewives who were appalled at newspaper reports that senior citizens were eating dog food because that was all they could afford.

## *Cups 'Runneth Over':*

### **Bank's Commitment to Health Shown in Trophy Exhibit**

Antique pewter cups, fashioned by English jewelers in the 1860s, purchased from a private collection and brought to America by Marshall Field

& Co. and made into trophies for the Frank Lloyd Wright 10,000 Meter Distance Run, recently were on display at Avenue Bank of Oak Park, Ill.

The cups are mounted on ebony bases and contain the names of the first-place winners of the event, which for the last two years has been sponsored by the bank in conjunction with the recreation department of the Village of Oak Park.

The event attracts more than 1,000 local and out-of-town participants, including some from Boston, and takes place through the Wright-Prairie School of Architecture national historic district. The Wright Run drew praise recently from Joseph A. Califano Jr., Secretary of the U. S. Department of Health, Education and Welfare, who commended the bank's ongoing program promoting physical exercise in the community.

## *For Bird's-Eye View:*

### **HC Directors Take Tour Of Redevelopment Area**

Directors and officers of Commerce Bancshares, Kansas City, personally inspected several redevelopment projects in the St. Louis area in a day-long bus and walking tour to get the feel of one of their communities.

According to James M. Kemper Jr., the HC's chairman, "Keeping up to date is important to our board members, and we feel the personal tour is the best way to get the most accurate picture of what's happening in our primary service areas."

Directors toured the Mound City, Murphy Blair, DeBaliviere, Washington University Medical Center and LaSalle redevelopment areas.

George H. Pfister, chairman, and Hord Hardin II, president of Commerce-Manchester Bank, led the tour of the Manchester-Chouteau redevelopment area — their bank's primary service area.

Mr. Hardin said that his bank felt it had to take the lead to prevent further deterioration of the neighborhood it served. The bank has acquired or has under option property in its service area.

The tour was followed by a dinner attended by St. Louis community and neighborhood leaders.



Paul J. Goldak (l.) St. Louis Jaycee pres., presents award plaque to Frank K. Spinner, CEO, T G Bancshares Co. Mr. Spinner also is pres., Tower Grove Bank, St. Louis.

## *Grateful for Support:*

### **Bank Receives Award For Contribution to Jaycees**

T G Bancshares Co., St. Louis, was presented the "Company of the Year" award for 1978 by the St. Louis Jaycees.

The HC was cited for sponsorship of the Jaycees' "Outstanding Young St. Louisan" award, making an employee available for state and national Jaycee work, promoting soap-box derby activity, making the community room of Tower Grove Bank available to civic organizations and providing supplies to the Jaycees and other organizations.

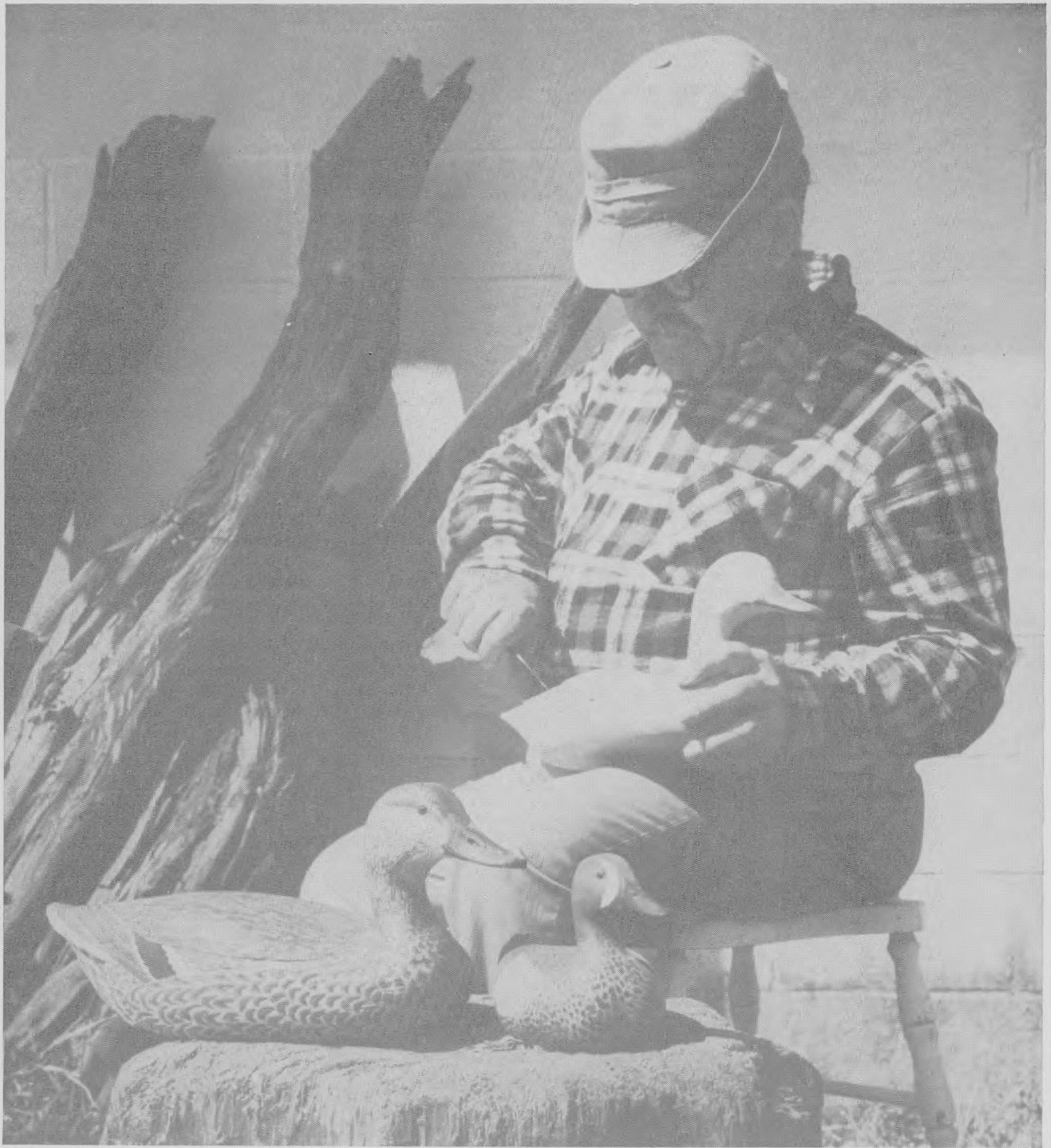
## *For Community Service:*

### **Banker Receives Award From Home for Blind**

Gabriel Hauge, chairman, Manufacturers Hanover Corp. and Manufacturers Hanover Trust, New York City, has been awarded the Louis C. Wills Award for Excellence by the Industrial Home for the Blind, Brooklyn.

In announcing this year's recipient, Edwin J. Vetog, senior vice president, Brooklyn Union Gas Co., and president of the board of the Industrial Home for the Blind, said, "Gabriel Hauge typifies the highest level of achievement in both the business world and the realm of public service. The Wills Award is IHB's way of calling attention to this kind of achievement as an example for all of us to follow."

During Mr. Hauge's multi-faceted career, he has taught economics at Harvard and Princeton, has been a business magazine editor and was a special economic adviser to President Dwight D. Eisenhower prior to joining the bank.



Great craftsmen are infinitely patient and skillful with the tools of their trade and their lives are animated by a spirit that dares to be different.

Good banking is a craft

that must be practiced and developed by men and women who, like artisans of great skill, care about the the lasting quality of their work.



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MID-CONTINENT BANKER for April, 1979

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*Volunteers Cited:*

## Bank Honors Employees For Community Service

Twelve Indiana National of Indianapolis employees were honored during the bank's outstanding volunteer achievement dinner.

They received awards that "are symbolic of the extra time these individuals are giving to the community in various forms of civic service," said Thomas W. Binford, chairman. The winners were chosen by a committee of employees.

"While their careers are important to the recipients, they also have shown the desire to become involved citizens. We don't live in a vacuum; our bank doesn't do business in a vacuum — we live and work in a community and we have to relate to it constantly. It is a complement to the careers of those persons who devote themselves to some kind of community work," he said.

*For Nonprofit Groups:*

## Wells Fargo Establishes Emergency Loan Fund

Wells Fargo has established a \$250,000 community services emergency loan fund to provide short-term loans to nonprofit organizations in the San Francisco Bay area.

The fund will make loans available to nonprofit groups with temporary cash-flow problems when approved funding from government agencies is delayed. Interest will be 6% annually.

Until now, temporary funding needs of nonprofit groups have been met through loans and grants from the Foundation's Emergency Fund Committee, an alliance of major San Francisco charitable foundations. However, this funding has not been able to meet the growing needs of the groups.

Initially, loan applications will be reviewed by the committee and then referred to the bank.

*Private Education Boosted:*

## Bank Group Forms Foundation To Give Money to Schools

The Metro banks of St. Louis have formed the St. Louis Metro Banks Charitable Foundation, which has awarded its first grants to private secondary schools, denominational and nondenominational, covering grades 9-12.

The foundation was created to ac-

knowledge responsibility of the business community to serve St. Louis and St. Louis County in better education for its youth, according to James R. James Jr., chairman of Metro banks. The awards will be made annually to selected private schools.

Foundation trustees are Metro banks officers: Henry Klug, president, Crestwood; Rush James III, executive vice president, Ellisville; Dale Teague, executive vice president, Clayton; and Jerry S. Von Rohr, executive vice president, Hampton.

*For Horticulturalists:*

## Orchid Show Hosted by Bank For Third Consecutive Year

For the third consecutive year, National Bank of Commerce, Memphis, and Commerce Square Tower hosted the Memphis Orchid Society's annual orchid show in the bank's lobby.

This is the only public event presented in the bank's main banking room.

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## Demand-Deposit

*(Continued from page 6)*

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ity since they do have relatively slower accounts in that rate. I have discussed this with bank economists, who say highly volatile accounts often are collateralized with, say, government securities. This is interesting because it shows a trend toward book entry rather than physical security itself.

As of December 31, 1978, the Treasury Department no longer issued \$100,000-denomination bills in physical form. The department had been discontinuing the bills' issuance in physical form since December, 1976, except to certain institutions that were required by state law to maintain physical possession. Thus, accounts collateralized with government securities will, in effect, be maintained through bookkeeping rather than through physical handling.

The implication of this example can be disturbing. We are moving further away from currency and relying more on that ever-present computer print-out. Even the printout is being replaced, in a sense, by the cathode tube, which is used for data projection. As this information-retrieval system expands, we churn accounts and government securities at an increasingly faster rate.

A generation ago, bankers had their own deferred-availability schedules, which were distinct from the Fed's deferred-availability schedule. They knew items took longer to collect than the figures shown on the Fed's schedule. New accounts were tagged according to actual collected balances, and bank customers were not permitted to draw against these uncollected funds.

Today we read in the financial press about corporations located in New York, which are drawing checks on banks in Guam. No one has to be too perceptive to see such techniques intended to take advantage of collections.

One wonders about persons who have received these checks from abroad. Will a merchant or wholesaler grant discount credit for a bill paid with such a check? Technically, payment was on time, but if it takes a week or more additional time to clear the item, it obviously shouldn't receive discount for prompt payment. Similarly, employees receiving the check should be advised the item hasn't cleared and will not clear for at least several weeks.

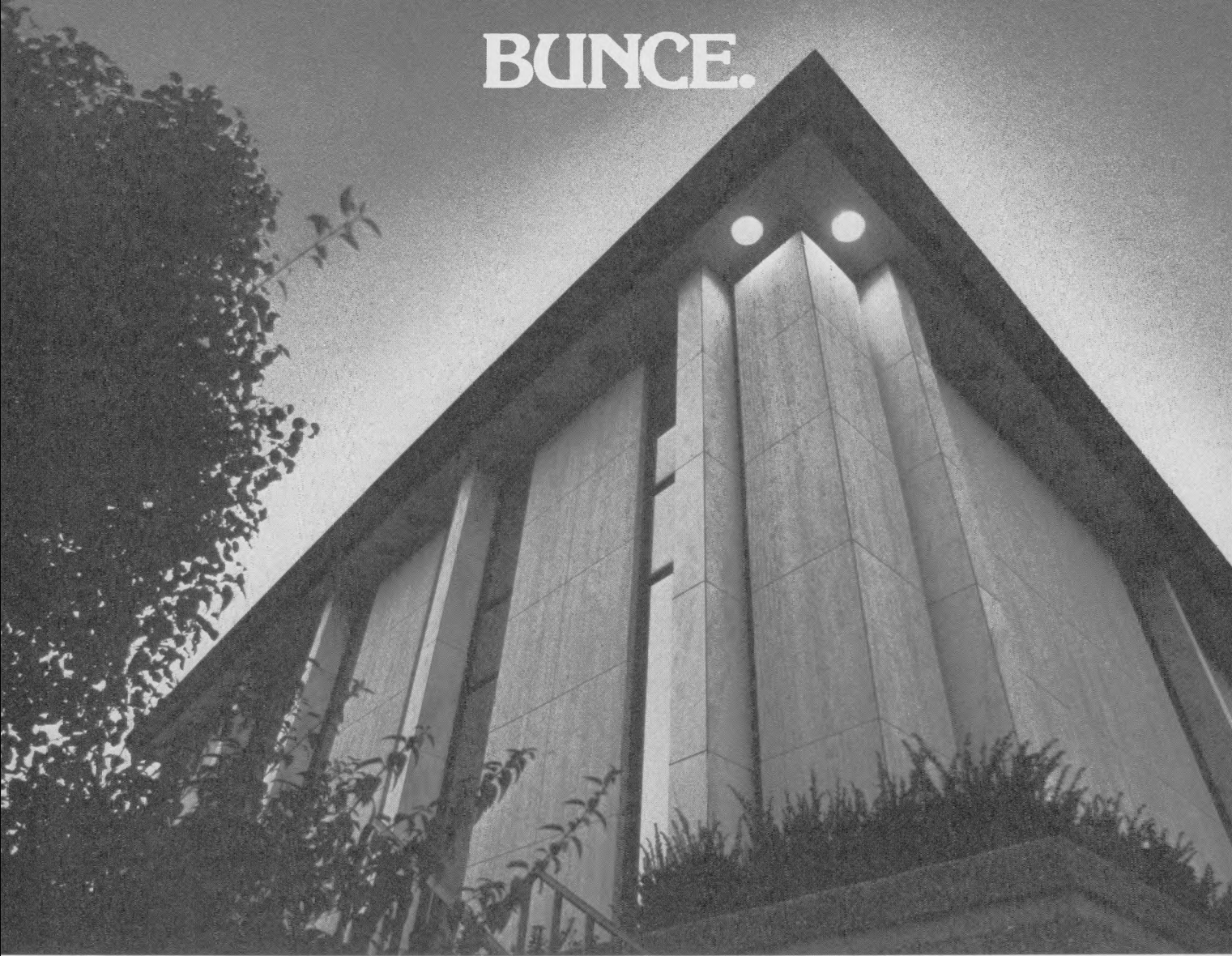
Unfortunately, accounting firms do exist that have made their reputations in money management by slowing down collections rather than speeding them up. There also are commercial banks that boast about their ability to slow down collections with devices similar to the Guam or wild-cat-in-the-boondocks check payments.

Certainly, bank accounts that engage in these techniques are reminiscent of the wild-cat banking era of a century ago. However, companies likely to engage in high turnover are the same ones that are likely to engage in playing money management with float techniques.

If large banks have accounts that turn over more than twice a day, use float and uncollected balances, it is only a matter of time before one or more of them find they don't have the collateralization they assumed they had and the believed-to-be collected item wasn't collected. What is left is a reverse spiral best known as a "kite."

Less than 10 years ago, one of the major New York banks found itself involved in a kite operation of more than \$100 million. How many other accounts do you think employ kite-like characteristics? ●●

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## Four Bills Pending on Fed Issue

AS THE SEARCH for a resolution of the Fed issue continues, numerous groups remain involved in discussion of the questions that make up the overall issue. As of this writing, the Senate Banking Committee was planning to move ahead with hearings on pending bills having to do with the Fed's reserve-setting authority. It was reported that the Fed planned to seek support for its proposed approach to its membership problem in the full House of Representatives and Senate. The House Banking Committee has concluded an extensive round of hearings on the Fed issue, but has deferred final decisions on specific legislation for the time being.

**The cutting edge of current disagreements is the argument over whether the federal government should mandate that reserves be held at the Fed by nonmembers or whether a freedom of choice should be maintained.**

With some 18 months to go before the 96th Congress adjourns for the 1980 elections, the process of debate and discussion of the Fed issue seems to be at a normal stage.

At least four bills are pending on the subject. They range from the mandatory approach (requiring banks above a certain size to keep reserves with the Fed at levels set by the Fed) to the voluntary approach (preserving the voluntary character of Fed membership, cutting costs of membership and improving the quality of Fed services). Fed Chairman G. William Miller has proposed modifications of the two key bills that take a mandatory approach to the question; his modifications would increase the Fed's reserve coverage of

the nation's deposit base and provide a return on the value of reserve balances.

Several financial trade associations, including the ABA, have adopted their own positions on the issue, and — at the time of this writing — additional new approaches to the matter still were being evolved by congressional staff groups and others.

Bankers' perception is that the Fed's real problem is two-pronged: The commodity it offers — membership — is seriously overpriced, and some of the services it provides are of questionable quality. The solution to such a problem should be to lower the price of the commodity and improve its quality — not to pass a law mandating all or certain banks to buy an overpriced product.

In testimony before both banking committees, the ABA has stressed bankers' strong belief that Fed membership should remain a voluntary option for banks. Only a voluntary approach to this issue can preserve the checks and balances of the dual state/national banking system and the strength of the correspondent banking system.

However, bankers and proponents of legislation to change the Fed's membership structure and reserve-setting authority agree on many points. ABA witnesses at the hearings said their hope is that those points of agreement can form the basis of an achievable legislative program dealing with the Fed's membership problem.

Points of agreement between bankers and others who are involved in discussion of the Fed issue include the following:

- Conditions causing a decline in Fed membership should be changed to reverse the attrition in Fed membership.

- The cause of the decline in Fed membership is the excessively high financial burden of membership.

- The principal means of reducing that burden is lowering the reserve requirements imposed on Fed member banks.

- The current graduate structure of reserve requirements impedes the

conduct of monetary policy (besides being unfair to certain Fed members) and should be replaced by truly uniform reserve requirements within the Federal Reserve System.

- Required reserve levels can be cut without adverse impact on the effectiveness of monetary policy in combating inflation.

- Explicit pricing of Fed services should be initiated, but only after burdens of Fed membership have been reduced satisfactorily.

- Empowering the Fed to collect more timely monetary data from all depository institutions would help it

**Bankers' perception is that the Fed's real problem is two-pronged: The commodity it offers — membership — is seriously overpriced, and some of the services it provides are of questionable quality.**

conduct monetary policy more effectively.

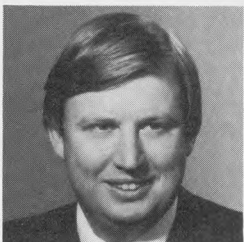
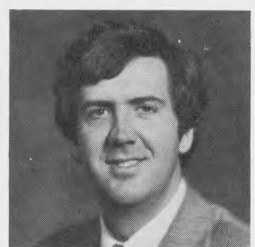
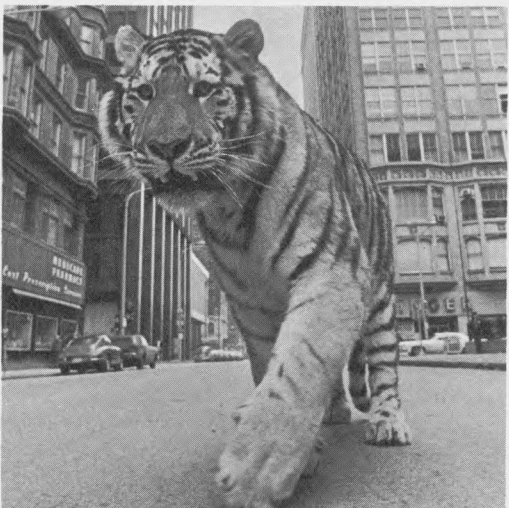
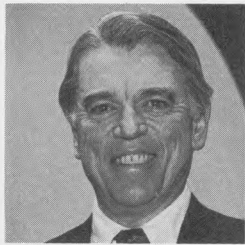
The cutting edge of current disagreements is the argument over whether the federal government should mandate that reserves be held at the Fed by nonmembers or whether a freedom of choice should be maintained. Consistent with the consensus reached by nearly 400 bankers at a late-February Banking Leadership Conference in Washington, D. C., the ABA is urging that an effective solution is available without extending Fed reserve requirements to nonmember banks and without imposing significant costs on the Treasury Department.

About \$1.5 billion of the \$6 billion in earnings the Fed gives the Treasury each year is derived from the value of Fed members' sterile reserve balances.

The ABA is emphasizing that use of a sufficient phase-in period for reduction of Fed members' required reserve lev-

*(Continued on page 115)*

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



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# Regulatory News

## Regulations for Implementation Of Titles VIII and IX of FIRA Proposed by Fed and FDIC

The FDIC and Fed have published for comment proposed regulations to implement Titles VIII and IX of the Financial Institutions Regulatory and Interest Rate Control Act of 1978 (FIRA). The Fed's proposed regulations would apply to all member banks, including national banks, and the FDIC's proposed regulations would apply to insured nonmember banks. Comments will be accepted until April 20.

Title VIII prohibits banks that maintain correspondent-account relationships from extending credit on preferential terms to one another's executive officers, directors and principal shareholders. Title VIII also prohibits banks from opening a correspondent-account relationship when one of the banks has outstanding a preferential extension of credit to an executive officer, director or principal shareholder of the other bank. Proposed regulations define a correspondent account as one that is maintained by a bank with another bank for deposit or placement of funds. Comment specifically is requested on this definition.

Title VIII also establishes certain reporting and public-disclosure requirements for insured banks and for their executive officers and principal stockholders of record, but not for directors.

Each executive officer and principal stockholder of an insured bank would report to a bank's board on the maximum amount of indebtedness of the officer or stockholder and each of his or her related interests to depository banks, amount of such indebtedness outstanding on December 31, range of interest rates on loans and terms and conditions of loans. A depository bank is defined in proposed regulations as a bank that maintains a correspondent account for the insured bank.

Each insured bank would compile these reports and forward the compilation to the appropriate federal banking agency. Individual reports, however, need neither be filed with the agency nor made public.

Each insured bank would be required to forward an annual report to the appropriate federal banking agency listing the name of each execu-

tive officer or principal stockholder who files a report of indebtedness and aggregate amount of indebtedness of these persons and their related interests to the insured bank's depository banks.

In implementing Title IX, the proposed regulation would require each insured bank to file with the appropriate federal banking agency an annual report listing names of its executive officers and principal stockholders and aggregate amount of indebtedness from the insured bank to these persons and their related interests.

As proposed, the first reports would cover the period from March 10, 1979, to December 31, 1979. However, comment specifically is requested on whether the reporting period for 1979 should start July 1. As proposed, officers and stockholders would file reports with their boards by January 10, 1980, and insured banks would file their reports with the appropriate agency by January 31, 1980.

## Appraisal and Rating System For HCs Announced by Fed

The Fed has adopted a system for appraising and rating bank HCs' performance and financial conditions. This rating system extends a program of intensified supervision of bank HCs the Fed put into effect at the beginning of 1978.

That program includes requirements for annual on-the-spot inspections of most bank HCs with consolidated assets greater than \$300 million, as well as application to such companies of standardized examination criteria.

Building on this supervisory program, the Fed adopted a system that will be used nationwide by the Fed to rate strengths and weaknesses of parent bank HCs, their bank and nonbank subsidiaries and to assess certain operational characteristics such as an organization's earnings and adequacy of its capital and management.

Each of these component aspects of an HC will be given a rating of one to five, with one representing the best rating and five the lowest. Component ratings then will be combined into an overall financial composit rating, also on a scale of one (best) to five (lowest). In addition, HCs will be given separate ratings on ability and competence of their management.

## New FDIC Appointment

Alan R. Miller has been named deputy to FDIC Chairman Irvine H. Sprague. For the past five years, he was the corporation's executive secretary.

Mr. Miller, a Kansas native, joined the FDIC in 1952 as a member of the examination staff in San Francisco. Later, he served in Pennsylvania before going to Washington, D. C., in 1968 as assistant to then Director Sprague.

## Reg Z Amendment Suspension Proposed by Federal Reserve

The Fed is receiving comment until April 16 on proposed suspension of a recent amendment of its Regulation Z (Truth-in-Lending) concerning the "cooling-off" period for consumers who pledge their homes as security for open-end-credit arrangements.

In proposing to suspend the amendment (of July 26, 1978) and requesting public comment on that proposal, the Fed also asked for comment on a number of associated questions. They are:

- Whether the Fed should suspend or should repeal the amendment and a related interpretation (of October 13).

- Whether the amendment should be modified to provide additional protections to consumers.

- Whether creditors intending to offer open-end-credit plans under the amendment should be required to notify the Fed and provide it with a copy of the disclosure form they intend to use in connection with such plans.

Additionally, the Fed asked for information about plans currently being offered by creditors under the amendment.

Truth-in-Lending requires that where a home is used for collateral for a consumer loan, the lender must give the borrower three days in which to rescind — cancel — the deal. The July 26th amendment modifies this provision by exempting creditors from giving notice to consumers of this right — except in certain instances — when the creditor and seller are not the same or related persons. Also under the amendment, where a home is pledged as collateral for open-end credit, customers must be notified of this fact annually.





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MID-CONTINENT BANKER for April, 1979

# Bank Investments

## Insurance: New Bank-Investment Tool

By FRANK C. CARR

**M**ANAGING A PORTFOLIO of municipal bonds can be demanding, requiring large amounts of time and an ongoing knowledge of individual credits and current market conditions. In the course of an ordinary banking day, there often is little time to devote to reviewing past bond investments and planning future purchases. The result is a portfolio of municipal bonds that can become outdated, weakened as to security and vulnerable to market changes.

For example, consider the case of

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Of the investment grade issued (AAA, AA, A and BBB/Baa ratings), the highest-rated bonds, as well as the less popular types of the lowest-rated bonds, are the most vulnerable to changes in yield levels.

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small-to-medium size banks, with deposits in the range of \$25 million to \$100 million. In these institutions, the president or cashier frequently handles the buying of municipals for the bank's investment portfolio — the bank often is too small and feels it cannot afford a professional manager for its investments. The average municipal bond portfolio of a medium-size bank will amount to about 12% of its assets, representing a relatively large amount of its resources.

Press of business and lack of research data often make it impossible for the president or cashier to make any meaningful analysis of the bonds purchased. So the investing officer must rely on a salesman, counselor, correspondent bank and/or rating services (*Moody's* and *Standard & Poor's*) to provide credit and/or investment evaluation.

Most conservative bankers use rating services as a guideline, at least in part. Beyond their local issues, they usually buy the highest-rated (AAA

*Frank C. Carr has spent more than 40 years in the municipal bond business and is acknowledged as one of the nation's foremost authorities in the field.*

Since 1971, Mr. Carr has been pres., American Municipal Bond Assurance Corp. (AMBAC), a wholly owned subsidiary of MGIC Investment Corp., Milwaukee. He also is s.v.p., MGIC Indemnity Corp., a sister company. AMBAC was the nation's first insurer of municipal bonds under an insurance plan conceived and developed by Mr. Carr. This insurance guarantees timely payment of principal and interest on general obligation and revenue bonds issued by local government units.

Before joining MGIC, Mr. Carr spent 33 years at the municipal bond firm, John Nuveen & Co., Chicago, where he successively became underwriting department mgr., v.p., pres. and ch. and CEO.

Mr. Carr was instrumental in the conception and development of municipal bond funds. These closed-end investment trusts, invested entirely in local government debt obligations, have proved to be popular with individual investors and now are being issued at a \$2-billion annual rate.

and AA) general market issues, which, they believe, will provide liquidity should they have to sell municipal bonds, using governments for liquidity and municipals for tax-exempt income. However, the combination of excellent credit quality and liquidity is expensive. Lower yield on the investment portfolio represents the added cost of this type of management, which is widely recognized and understood.

What is not well known and appreciated is that of the investment grade issued (AAA, AA, A and BBB/Baa ratings), the highest-rated bonds — as well as the less popular types of the lowest-rated bonds — are the most vulnerable to changes in yield levels. Highest-rated issues are those many consider to be the most marketable. So in periods of portfolio liquida-

tion, these are the issues that usually flood the market. The lower-rated revenue bonds issued for industrial development, hospital, parking, Section 8 housing and similar purposes usually have limited marketability as new issues and accordingly suffer limited demand in the resale market. On the other hand, popular BBB/Baa-rated issues secured by electric, water, sewer or airport (lease) revenues, or excise or property taxes, generally attract good bids in the secondary market.

In January, 1978, the Bond Buyer

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A portfolio insurance policy assures a bank the right to renew annually its insurance on each insured item in its portfolio at the same premium rate, even though the bonds' ratings are reduced or they default.

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Average for 10-year maturity AA-rated bonds was 4.50%; by November, 1978, this index had risen to 5.19%. So the market value of these high-grade bonds depreciated significantly over this 11½-month period of advancing interest rates by an adverse yield change of 69 basis points. By comparison, this same index for 10-year maturity BBB/Baa bonds had an adverse price change of only 26 basis points. Thus, for this period, the BBB/Baa-rated bonds would have afforded their owner enhanced current return plus substantially better market-price protection. But can a banker feel comfortable with a portfolio of all BBB/Baa bonds? Probably not!

Every bank portfolio should contain some high-grade tax-exempt bonds. But it really is not to the advantage of most banks for its portfolio to consist of all high-grade bonds. This is particularly true since insurance guaranteeing timely payment of principal and interest of tax-exempt bonds became available. Now banks can invest a portion of

MID-CONTINENT BANKER for April, 1979

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their municipal bond portfolio in generous-yielding, medium-quality bonds, insure their payment, enjoy the market-price protection they afford and realize a *net* average yield enhancement of from 50 to 100 basis points on this portion of the bank's tax-exempt portfolio. All pluses — no minuses!

Tax-limitation measures (such as Proposition 13 in California), budget imbalances, growing pension-fund deficits, increased vulnerability to reductions in state aid or federal revenue sharing, unionization of employees, shrinking tax bases, losses in population, abandonment by private industry of obsolete facilities, poor fiscal administration are all current threats to the financial viability of local governments. One or more of these weaknesses can lead to reductions in investment ratings and portfolio market losses to a bank that owns the bonds.

A portfolio insurance policy assures a bank the right to renew annually its insurance on each insured item in its portfolio at the same premium rate, even though the bonds' ratings are reduced, or even if they default. Accordingly, if insured bonds in a bank's portfolio are reduced as to rating, they can be retained in the portfolio until their maturity with the assurance of payment resulting from the insurance. Otherwise, the bank might feel it necessary to liquidate the bonds, which are declining as to quality before their rating is further reduced, even though such a bond sale involves a substantial asset loss as a result of their depressed market value at that time.

Insured portfolios have the benefit of the insurer's constant surveillance of them. The insurer also probes the credit quality of most new issues entering the marketplace. Therefore, the owner of an insured portfolio has access not only to the insurer's opinions concerning the credit quality of bonds in its portfolios, but also those bonds being considered for portfolio acquisition. It can safely be assumed that the credit analysis of the insurer is encompassing and in-depth since its payment liability on such bonds causes it to be thorough in its analysis. Therefore, by having an insured portfolio of tax-exempts, the bank that owns them has access to the insurer's professional credit analysis of the issues it considers for purchase at no added cost over the expense of insuring their payment. This is a valuable service, backed up by a guarantee to pay the bonds if the advice is poor — no other such guarantee is available!

A number of financial institutions

have encountered serious financial problems, some leading to failure, because of investment-portfolio problems. Historically, most of these difficulties have arisen because of poor investment counsel or fraud. Hoping to enhance investment income for stockholders, a bank's board or investment officer sometimes has compromised too far the quality of bonds purchased in the interest of increasing portfolio return. Overburdening a bank's portfolio with bonds that seem safe, but which prove to be vulnerable as a result of changed conditions, or which become the victim of change, can cost the career of a well-meaning investment officer. There can be little doubt that if the responsible bank officer in-

vests unwisely, judged by hindsight, he will be the victim of his well-meaning actions. Portfolio insurance can prove to be the safe avenue of "investing for yield with safety."

In this age of consumerism, beneficiaries of trusts may have an easier time than ever convincing juries that a trustee did not properly exercise fiduciary responsibility in its selection of municipal bonds when the market value of the bonds depreciated because of credit deterioration. Municipal bond insurance on trust-administered securities eliminates the risk of payment loss on insured tax-exempts and can evidence that a trustee exercised prudence in its administration.

(Continued on page 122)

## Heavy Municipal Bond Buying Foreseen for Commercial Banks

**C**OMMERCIAL BANKS are poised to begin buying heavily in the municipal bond market when interest rates begin peaking out in the second half of 1979," Gerald S. Roberts, vice president, John Nuveen & Co. Inc., Chicago, says.

Reporting results of a nationwide commercial banking study conducted by Nuveen's portfolio management systems (PMS), Mr. Roberts says, "Municipal investments made a significant contribution to record bank earnings in 1978.

"The 1978 municipal market climate of rising yields and declining prices presented an opportunity for sophisticated portfolio managers to switch out of depreciated securities and charge net loss off to record earnings.

"Three years of semiannual bank surveys by PMS demonstrate that the passively managed municipal bond portfolio is not an efficient institutional investment. The municipal portfolio performance of managers who were unable or reluctant to make timely moves contrasts significantly with results of managers who followed strategies based on the application of 'total-return' concepts."

For example, the average tax-exempt portfolio return for reporting banks was 5.20% (book yield) as of December 31 — the equivalent of a 9.63% taxable yield in their 46% tax bracket. In contrast, the composite model municipal portfolio, representing the top four high-performance national banks, generated tax-exempt cash flow of 5.78% — equivalent to a 10.70% taxable yield.

An even more revealing comparison, according to Mr. Roberts, is the

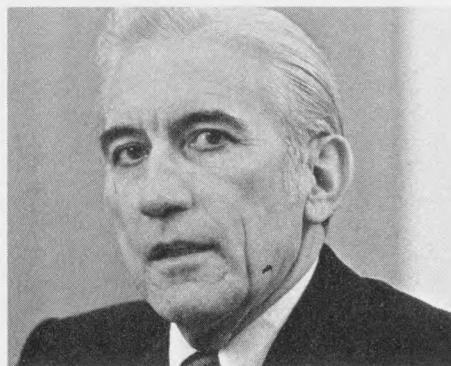
PMS measurement — combined market rate of return — which factors the effect on cash flow of the 4.9% *unrealized* loss in municipal portfolio values during 1978. On this basis, which assumes realized losses, reporting banks would have had an average net return of .48% on municipal portfolios as of December 31, versus a combined market rate of return of 5.22% for the four model banks.

"Performance differentials can be attributed to the reluctance of many portfolio managers to leverage tax losses through bond swaps," Mr. Roberts says. "Municipal portfolio managers can optimize their contribution to the rate of return on bank equity by pursuing programs to keep assets current within the framework of responsive tax planning.

"The commercial banking community is in a liquid position that can be converted quickly to support municipal portfolio programs. We caution managers against waiting too long to catch the top of the interest-rate curve. They could miss the opportunity to restructure assets for improved quality, liquidity and higher future earnings."

The municipal performance study directed by Mr. Roberts covered commercial banks holding \$11.4 billion of municipal securities — 9.8% of total municipal assets held by U. S. commercial banks. The size of banks surveyed ranged from \$60 million to \$4.5 billion, with every Fed district represented. Purposely excluded were major New York, Chicago and San Francisco banks whose portfolios contain concentrations of local securities, making their portfolios atypical. ●●

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*Earl Lassere, Vice President*

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## New Concern About Age Discrimination

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

**E**FFECTIVE January 1, 1979, the mandatory retirement age was changed from 65 to 70 by federal law. In the banking field, I have noticed many bankers aged 65 to 70 who continue to increase their business acumen. In fact, such persons have talents most banks cannot afford to lose. Not every older banker is tired, disillusioned, inefficient and absentminded. Not always does fresh blood produce top results. Is it wise for a competent 72-year-old bank president to compulsorily retire a well-trained experienced trust officer aged 65? Now the legal age is 70.

Age 65 is not a magic number signifying deterioration. Some bankers seem to lose their competence at 43 or 52. I have noticed absentminded, bleary-eyed tellers younger than 40.

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**Not every older banker is tired, disillusioned, inefficient and absentminded. Not always does fresh blood produce top results.**

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Oddly enough, the American Association of Retired Persons, which you think would favor retirement, and Representative Claude Pepper (D. Fla.) fought vigorously in Congress for the five-year increase in the compulsory retirement age.

On the other side, early in 1979 Sears, the nation's largest retailer, sued federal discrimination agencies alleging that the increase in the compulsory retirement age — coupled with preferences given war veterans — prevented Sears from hiring enough women and minorities. Powerful and rich as Sears may be, it is unlikely that it is powerful enough to overturn all the governmental discrimination agencies and all the diverse legal decisions on the subject. (I have in my

office 19 thick books filled with discrimination information, most in small print.)

Is there a vast waste of manpower in compulsory retirement?

Most employees of large banks as well as large corporations such as General Foods, General Motors and Exxon voluntarily retire long before age 65, usually combining social security with pensions. Others who have saved frugally enjoy the prospect of combining social security with income from their investments.

Large income taxes and restrictions and technicalities on such tax shelters as IRA and Keogh plans do not encourage savings plans. Nor are savings encouraged by the knowledge that social security and other benefits, such as reduced prices and taxes, are available for older people.

Where does the cruel and unfair practice of forced retirement exist? Oldsters who suffer are employees of smaller banks who are not protected by pension plans or large personal savings.

Some are discharged because of their reduced work potential, reduced strength, sickness, lack of enthusiasm or disillusionment with the rat race. Even their wrinkled physical appearance may be held against them. All but the physical appearance can be related to business necessity and would apply to both young and old bank workers.

On February 2, 1979, Francis V. LaRuffa Jr., chief, Branch of Age Discrimination, U. S. Department of Labor, wrote me about the Age Discrimination Act (ADEA): "The Wage and Hour Division of the Department of Labor enforces the ADEA. Protection under the statute is limited to individuals who are at least 40 but less than 70 years old (40 and 65 prior to January 1, 1979). Individuals in this age group are protected from age discrimination in such matters as hiring, discharge, leave, compensation, training, promotions and other terms,

conditions or privileges of employment.

"In general, in order to support a complaint under the act, the evidence must be sufficient, standing alone and uncontradicted, to support a conclusion that the act has been violated; and what evidence will suffice would depend on what activity prohibited by section 4 of the act is alleged to have taken place. For example, the mere failure of an employer to acknowledge responses to his advertisement for a job opening would not, without more, be sufficient. Some evidence as to the application of an age limit or requirement, contrary to the act, would be necessary."

Writing in the October, 1978, *American Bar Association Journal*, Theodore Voorhees summarizes the

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**Where does the cruel and unfair practice of forced retirement exist? In smaller banks where oldsters are not protected by pension plans.**

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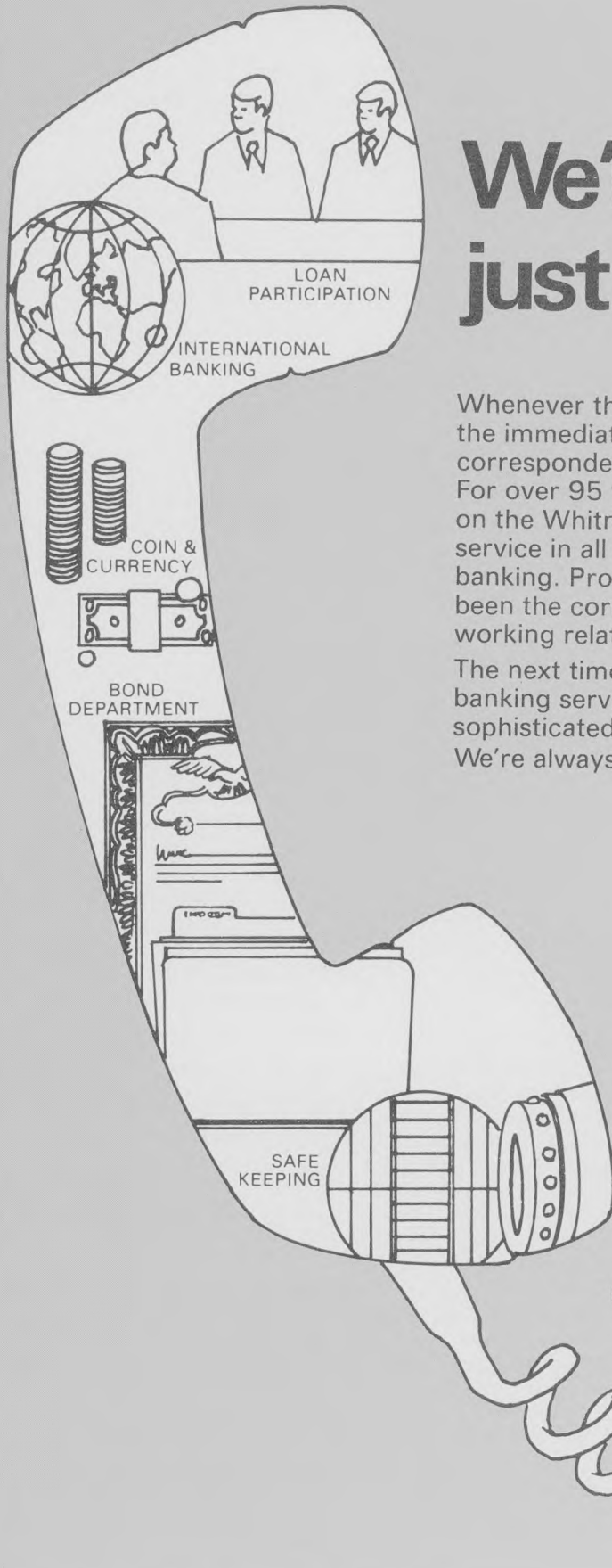
report of the House Select Committee on Aging, giving mandatory-retirement arguments, which you can compare with your own experience for individual evaluation of the problem.

1. Medical science is not capable of making accurate individual assessments of the physical and psychological competence of employees, and it is difficult to administer individual fitness tests fairly.

2. Mandatory retirement provides a predictable situation allowing both management and employees to plan ahead.

3. When a person is forced to retire at an earlier age than he might otherwise choose, more opportunities are provided for younger workers.

*(Continued on page 120)*



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## Dual-Control System Prevents CD Losses

By OSCAR W. JONES

Director  
Loss-Prevention Services  
Scarborough & Co.  
Chicago

CDs ARE BIG business in banks today. A random review of several banks' 1978 annual reports reveals them to be the biggest percentage of their deposits.

But CDs also can result in big losses if they are not properly handled. Lack of proper control is particularly hazardous where CDs are concerned because one unscrupulous person can, with a few pen strokes, virtually "close the bank."

A recent embezzlement in a southern state only serves as a sobering and timely reminder that without suitable controls CD fraud can cause a bank's profit opportunities to fly out the window, with a big portion of the bank's capital assets included.

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**"... Without suitable controls, CD fraud can cause a bank's profit opportunities to fly out the window, with a big portion of the bank's capital assets included."**

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In this particular instance, the cashier of the bank apparently was permitted control over general ledger tickets as well as issuance of cashier's checks. His method of embezzlement was quite simple. He allegedly issued cashier's checks (which ultimately ended up for his own benefit) and issued general ledger debit tickets to the "interest on CDs" account in sufficient amounts to offset his cashier's checks. The bank apparently had no program for reconciling the interest on CDs ac-

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*This article was taken from the March, 1979, issue of Loss Protection/Prevention Bulletin, which is published by Scarborough & Co.*

count and this failure permitted the cashier to get away with more than \$350,000 before an audit finally uncovered the embezzlement.

The question is, did the bank trust the cashier too much? Did it make a thief of an honest man by failing to place its CD operation under requisite internal controls?

The answer, of course, is control and check of any bank operation handled by any trustworthy person is a prerequisite of sound banking practice.

In this particular instance, the cashier allegedly issued fraudulent charges to the interest on CD accounts to offset his issuance of unauthorized cashier's checks. Other common methods of CD embezzlement often include:

- Extracting cash and offsetting it by marking CDs "paid" on the register of outstanding CDs.
- Recording CDs at less than their issued amounts.
- Not recording them at all.

It is true that, occasionally, a scheming bank employee may break the control barrier and effectively execute one or more of the above or other CD defalcations. Controls can minimize the probability, bringing embezzlements to light before they reach catastrophic proportions.

**A Simplified System.** A simple but effective CD control system can be installed at minimum expense and impairment of operational procedure or customer service even at the smallest bank. These basic principles can be applied to EDP.

1. *The first step is a tight inventory control.* All CDs should be requisitioned from the printer in pre-numbered sets with snap-out carbons. Copies, of course, should carry the number of the original. On receipt from the printer, two persons should

place the CDs in the vault. Two persons always should take them out. A supply register should be maintained and the teller should always sign the register when he receives his working supply.

2. *Dual controls for CD insurance.* It is good practice to have all CDs issued from one cage and by one teller. This centralizes and simplifies controls. In this manner, there always will be only one group of CDs to account for, thus providing less chance of error. You may want your teller to sign all CDs up to, say, \$5,000 and have an officer sign all larger amounts. The customer should never take his CD to an officer for signature. This should be done by a bank employee. Perhaps the

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**"A simple but effective CD control system can be installed at minimum expense and impairment of operational procedure or customer service even at the smallest bank."**

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teller may do this if he's not busy.

Some banks prefer, for operational reasons, to have the CD buyer apply to a designated officer who, after agreement is reached on terms and interest rate to apply, escorts the buyer to the teller. Whether the officer or teller sets up the terms, it's the teller who should make out the CD and, except for perhaps the smaller amounts, it's the officer, not the teller, who should sign it. *This completes the required dual control of issuance.*

3. *Distributing the copies.* The second copy should go to the general ledger bookkeeper in support of the entry for the daily CDs in an open file.

*(Continued on page 134)*





## Sometimes it pays to do business with a fly-by-night outfit.

1:30 A.M. And it's business as usual. Another Fourth charter flight is leaving with cash letters to a major clearing area.

It's the way The Fourth backs up its commitment to quick availability of cash letter funds.

Actually, it's more than a commitment. It's a guarantee. Because if for some reason our planes don't fly, we still see to it the money is in your account when we said it would be.

Nobody gives you better availability than The Fourth. Next day for major clearing areas. And never more than two days — anywhere in the country. Guaranteed.

Call Tom Potter, Joe Stout or Gage Overall to get The Fourth's flight schedule. They'll get you "on board" the best cash letter service program in Kansas.

**Use us. For all we're worth.**

A neighborhood bank as big as Kansas itself.

**TheFourth** 

Member FDIC

The Fourth National Bank and Trust Company / Wichita, Kansas 67201 / 261-4488

# Charge Cards

## Bank Cards Not to Blame for Indebtedness

UNEASINESS over the course of the economy and willingness to take on more debt than they can handle is putting consumers on a collision course with personal bankruptcy. Attempts to find simple answers to this trend invariably cast bank credit cards as the nation's No. 1 villain, but there are no simple answers. Plastic money often is suspect because it is such a highly visible symbol of consumer credit.

John Reynolds, president of Interbank, world licensor of the Master Charge card, thinks these accusations are one-sided and believes the United States is not turning into a nation of "credit-card junkies." For example:

- Gross dollar volume (sales plus cash advances) on the Master Charge

card grew from \$10 billion in the recession year of 1974 to about \$22 billion in 1978.

- During those four years, the card's outstanding balances went from \$4.8 billion at the end of 1974 to approximately \$9.9 billion at the end of 1978.

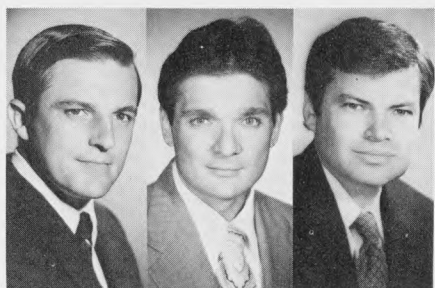
- Despite the increase, however, the so-called "delinquency rate" (percentage of outstanding balances 30 days or more past due) dropped significantly from 5.4% at the end of 1974 to 3.7% at the end of 1978.

Mr. Reynolds concludes this shows Master Charge card holders, while spending more, are reducing their indebtedness substantially. Historically, the delinquency rate never has gone higher than 5.5% of \$4.1 billion in outstanding balance. This occurred in

March, 1975, not far from the peak of the recession, he said.

Another indication of card-holder prudence in credit use is in the average credit line. At the end of 1976, an average Master Charge credit line was \$830, but the average card holder used only \$390 of it. At the end of the October, 1978, quarter, the average credit line was \$969 and the average card holder was using \$418.

"Duality" — banks that offer Master Charge and Visa programs simultaneously — has not deterred these findings, said Mr. Reynolds, even though it has resulted in proliferation of bank-card issuance and a massive increase in total bank-card credit available to card holders. ••



DARDIS

GLAS

ARNOLD

- **Howard, Weil, Labouisse, Friedrichs, Inc.** Alan C. Arnold, John R. Glas and John J. Dardis have been elected executive vice presidents of this New Orleans firm. Mr. Arnold has served in the fixed income department, is an allied member of the New York Stock Exchange and has been a member of the firm's executive committee since 1975. Mr. Glas presently is in charge of fixed income sales and also will serve as coordinator of institutional sales. He was elected to the board in 1977 and was named to the executive committee in 1978. Mr. Dardis is a former management consultant who will serve as chief financial and administrative officer.

- **Christmas Club a Corp.** Donna Feldman has been appointed account executive for northern Illinois and Kent Adams has been appointed account executive for Mississippi. Prior

## Corporate News

to joining Christmas Club a Corp., Easton, Pa., Miss Feldman was with Johnson & Johnson, baby products division, and Mr. Adams was a sales representative for a land development firm.

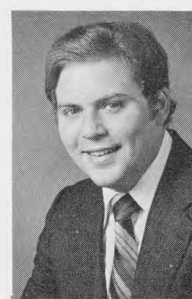


ADAMS



FELDMAN

- **Doane Agricultural Service.** Bruce H. Verkruyse has been named St. Louis regional manager/farm ranch management division, and Robert C. Zwerneman has been promoted to project director/marketing research division, Doane Agricultural Service, Inc., St. Louis. Mr. Verkruyse's division offers day-to-day management activities to more than 1,400 farm and ranch owners across the country. He



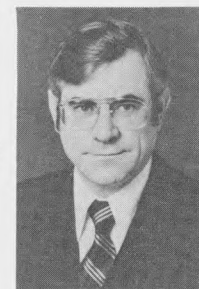
ZWERNEMAN



VERKRUYSSE

will direct marketing and sales service activities in Illinois, Indiana, eastern Missouri and Iowa. Mr. Zwerneman will direct research activities on multi-client and special studies in fertilizer and farm equipment areas.

- **Brandt-PRA, Inc.** John P. Dullighan has been promoted to vice president-general manager of the company, which is located in Cornwells Heights, Pa., and is a subsidiary of Brandt, Inc., Watertown, Wis. He formerly was general manager.



DULLIGHAN



**THE NEW BANKING SYSTEM** Walls that aren't really walls. Privacy achieved with open space and flexibility. No closed doors. No inflexible hallways or offices. You're looking at an area in a major bank using the most efficient system in commercial design today . . . modular. The system, one of several we offer, and the design came from us, Arrow Business Services. Modular office systems are just one of the ways we'll make every square foot you have work for you, flexible enough to change as you do. We have 16,000 square feet of ideas in our showroom and 25,000 square feet of active inventory to back them up. With our bank experience, we're sure to have the right idea for you. Give us a call.



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Correspondent  
Bank  
that gets down to  
earth**

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

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

In Bank of Oklahoma's agri-business

department, your problems are our opportunities. Just tell us what you or your customers need. We can work out the details.

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



# **BANK OF OKLAHOMA** <sup>®</sup> <sub>(NA)</sub>

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

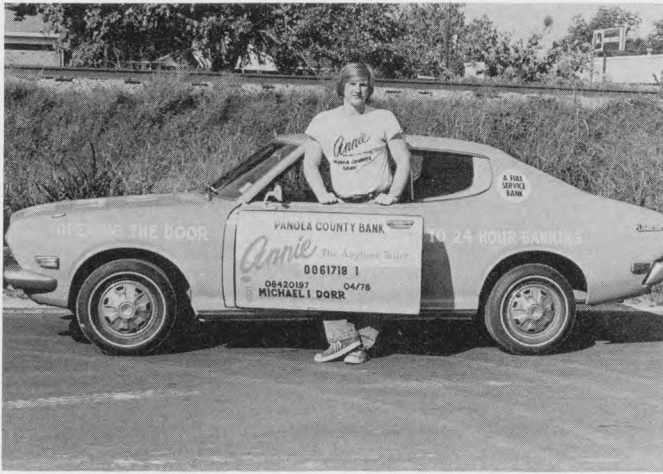
## **Our Capabilities Expand Yours**

Correspondent Bankers

Marvin Bray	Bill Hellen	Larry Koch	Tom Quillin
588-6619	588-6620	588-6000	588-6334

Member FDIC

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



LEFT: This car, painted with slogans about "Annie," ATM of Panola County Bank, Sardis, Miss., promotes ATM wherever it goes. Vehicle belongs to Michael Dorr (pictured), son of Reid P. Dorr, bank's e.v.p./cash. RIGHT:



"Annie" car, loaded with young people, is pictured in front of Panola County Bank.

# Aggressive Marketing of Its ATM Pays Off for \$14-Million Bank

CAN a \$14-million bank located in a small, rural community realize a profit from an automated teller machine (ATM)? The answer from Panola County Bank in Sardis, Miss., is a resounding "yes."

According to Reid P. Dorr, executive vice president and cashier, Sardis (population 2,400 and located on I-55, 50 miles south of Memphis) is not what he calls a "rapid-growth community," and so the bank must achieve its growth from within its area. It has been helped in this regard by "Annie," its ATM, which became operational October 4, 1976, under a licensing agreement with Union Planters National, Memphis.

With pride, Mr. Dorr says his bank always has been progressive, with a growth rate of about \$1 million a year. However, since 1976, the year "Annie" became a part of the bank, assets have grown \$2 million a year to the present total of \$14 million. In growth relationship with its competition, according to Mr. Dorr, the same ratios apply.

"In small towns in our area," continues Mr. Dorr, "local banks are a source of pride to their customers and communities. We tried to develop an image to our customers that we were giving the community an item few banks in the country had available for their customers."

From the time Panola County Bank announced plans for "Annie," says Mr.

By ROSEMARY McKELVEY  
Editor

Dorr, the ATM became a topic of conversation at meetings of civic and church groups and social clubs. Mr. Dorr attributes much of "Annie's" success to such word-of-mouth advertising. Also, he adds, bank customers are so proud of "Annie" that they make it a point to demonstrate the ATM to out-of-town guests. Many accounts opened at the bank by the few new people who

move to Sardis can be traced to the ATM, says Mr. Dorr.

Panola County Bank has an ATM card base of about 1,500. Cards were issued to all customers with personal accounts, and no screening was done on accounts. The bank always has advertised that only a checking account with Panola County Bank was required to obtain an Annie card. Monthly usage has averaged 1,500 transactions, with this figure climbing to 2,000 during special promotions.

Teenagers have been especially impressed with Annie, says Mr. Dorr,



Girls' softball team sponsored by Panola County Bank, Sardis, Miss., wears bright red shirts emblazoned in white with "Annie" ATM logo. Team is called "Annie's Angels."

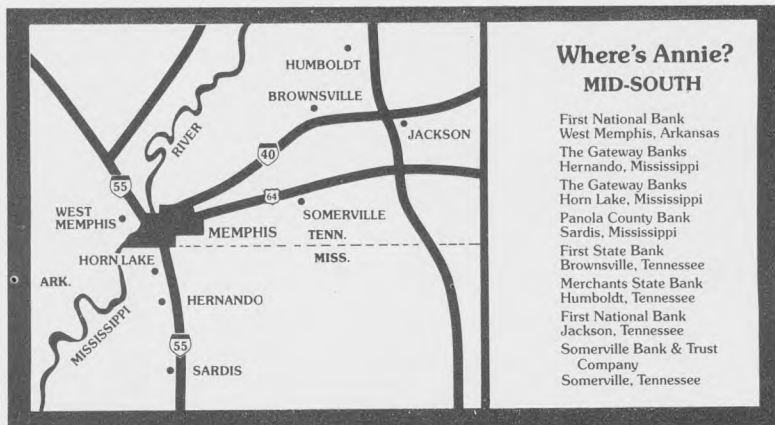
and young people whose parents bank with the competition have opened accounts at his bank.

One problem the bank had was to overcome the false idea that the Annie card was a credit card. Mr. Dorr points out that many older customers were confused on this point.

"We tried to tell our customers an Annie card was just like a checkbook and was a part of their banking services," he says.

In one instance, a retired civil engineer — after receiving his Annie card — went to the bank and threw the card on Mr. Dorr's desk, exclaiming that he didn't want a credit card. After the service was explained to him, he kept the card and now puts as many transactions through the ATM as any other customer. Mr. Dorr says this illustrates how his bank, because it's small, is able to promote services such as Annie on individual bases. He adds that the gentleman described above was pictured in a newspaper ad in which the bank thanked its customers for using Annie.

The ATM figures prominently in



This mailing piece, furnished by Memphis' Union Planters, shows map of "Annie" ATM network, with Sardis, Miss., home of Panola County Bank, near bottom. Member banks are listed at right. These banks operate "Annie" ATMs under licensing agreement with Union Planters.

Panola County Bank's advertising and promotions. A month-long summer holiday contest attracted 2,000 entries. To qualify, customers were asked to place their ATM transaction receipts in boxes near the ATM and in the bank lobby. Prizes included a two-night stay at the Holiday Inn of the winner's choice, plus \$100 in travelers checks, a

five-speed bicycle, rod and reel, tacklebox and fishing supplies, barbecue grill, luggage, lawn chairs, etc.

After the contest ended, the bank ran a large newspaper ad picturing winners with their winnings.

Panola County Bank used a pre-Christmas promotion in 1976 to introduce Annie to Sardis residents. In each packet of money dispensed by Annie (\$25 to a packet), one certificate described as "good as gold" was included. Each certificate was good for \$1 in trade on any \$10 purchase at participating merchants. In turn, the merchants redeemed the certificates at the bank for 25¢ each. The bank paid all advertising and printing costs and furnished "participating merchant" posters to businesses. The certificates were good through January 31, 1977.

Another popular promotion involved T-shirts. Every fifth money packet contained a coupon for a free T-shirt. Mr. Dorr says he had to reorder the T-shirts three times and ended up selling them to non-customers.

The bank also sponsors an "Annie's Angels" girls' softball team.

There's even an "Annie car." The vehicle, which belongs to Mr. Dorr's son, Michael, was painted with Annie slogans. Of course, the car carries an Annie message everywhere it goes.

Mr. Dorr expresses special appreciation to Union Planters for making Annie available to his bank. "This is a classical example of how a large correspondent bank can pass on its technology to its country correspondent," he says. "There has been a tendency in the last few years for the 'big boys' to deal with small banks on a strict business basis. It is good to see the old relationship of sharing come alive again." ●●

## Single-Card Operation Begun At Bank for All ATM Accounts

A SYSTEM designed to allow an automated-teller-machine card holder access to all his accounts at a bank with a single card is in operation at Baton Rouge Bank. According to the bank, this is possible through installation of the first full-function IBM 3614 ATM connected to a System 3 Model 15D. This multi-account access was achieved through use of an integrated CIF system generated by an automated file scrub and merger program.

ATM-transaction volume at the bank has steadily increased since the system became live for customers last September. As of this writing, 26.4% of the bank's total customer base is using its 24-Hour Teller, far above the national average, according to the bank. Total volume is exceeding 4,000 transactions per machine per month.

Customers select "primary" accounts in checking, savings and credit cards. Access to primary accounts is achieved simply by pressing keys identified on the machine keyboard labeled checking, savings and credit card. All other account access is achieved by using a three-digit code. A copy of all account-access codes can be obtained by the customer at the 24-Hour Teller by activating a "special-function" key on the 3614.

The program accepts payments to installment and commercial loans, credit cards and lines of credit. Deposits may be made to individual retirement accounts and Christmas clubs as well as to savings and checking accounts. Withdrawals may be made from all appropriate accounts. Transactions are totally electronic. Card issuance is handled by an interactive cathode-ray-tube system, which also allows for account verification and inquiry and additions to and deletions of accounts from the card-access file.

According to George Hesser, coordinator for the project at Baton Rouge Bank, each customer's 24-hour account is custom designed to meet his specific requirements.

# Package Plans:

## *With Them, Medium-Sized, Small Banks Can Install Automated Teller Machines*

**A**UTOMATED teller machines (ATMs) put banks in a dilemma. Banks whose competition offers such equipment also must do so or chance losing business. Banks whose competition doesn't have ATMs would like to be the first in their trade areas to offer them. However, how can banks — especially medium-sized and small banks — justify the cost of installing such equipment when ATMs cost \$40,000 or \$50,000 each?

One answer: package plans that involve installation of on-premises ATMs *without any capital investment on a bank's part*. Franchisers of these plans not only install the ATMs, but they offer complete marketing programs to help banks introduce them to the public.

The theory behind such package plans is that a person would not want to pay a fee to use an ATM, but he probably would be willing to pay a fee for a package of several bank services, including access to an ATM. These pack-

ages can be tailored for each bank, but typically they include a plastic membership card that activates an ATM; no-service-charge checking; accidental death insurance and national savings on travel and lodging. In addition, they can offer free travelers checks and discounts on safe deposit box rentals.

Are these package programs that include ATMs paying off?

Yes! So says Steve McCullough, vice president, Texas Bank, Sweetwater, which purchased its program from Financial Institution Services, Inc. (FISI), Nashville. This firm calls its package program BanClub and refers to the ATM part as BanCash 24.

Yes is the answer from Union Bank, Tucson, whose program was created by Madison Financial Corp., Nashville, which calls its package The Club and the ATM part 24-Hour Clubhouse.

*Texas Bank of Sweetwater* is a \$45-million institution in an agricultural/industrial area. There are two banks and two S&Ls; the city's population is 14,000, and there are 25,000 in the bank's trade area. The closest ATM was installed four or five years ago at an Abilene, Tex., bank.

Mr. McCullough points out that his bank bought its own Docutel ATM, but he believes it would be better to lease these machines through package plans.

Texas Bank's on-premises ATM went into operation in December, 1977. However, it had been offering FISI's BanClub package for about three years prior to that time. Thus, it was natural for the bank to tie its ATM operation into the firm's BanCash 24 program.

Because the bank has a policy of no service charges for checking accounts, no matter how small, Mr. McCullough says, it was decided to use the new ATM to convert as many of these gen-

eral, or free, DDAs as possible to BanClub and thus be able to receive monthly charges for them. Mr. McCullough says there are two reasons for this: to justify the ATM's cost and to obtain greater retention of checking-account customers since the more services a person receives from his bank, the less likely he is to move his account.

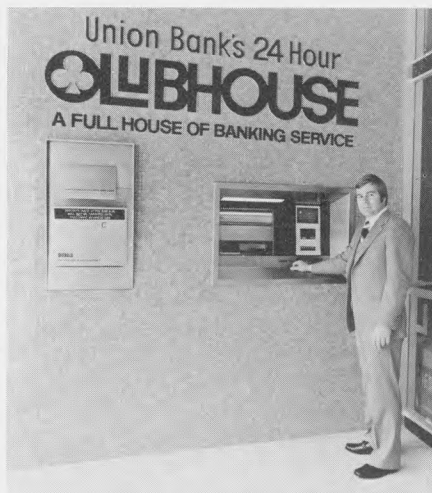
The decision to install an ATM was made in October, 1977, about two months before it went into operation. Texas Bank used this lead time to introduce the new service as effectively as possible to Sweetwater-area residents. The bank mailed two kinds of letters November 1. One was to those already members of BanClub, and it pointed out that the package was being expanded to include free access to the ATM. The second letter went to those depositors who were not BanClub members and described the many advantages of joining, not the least of which was free access to the new ATM.

*(Continued on next page)*

**BAN CASH 24**  
Regular Banking Will Be Closed Monday...  
BUT BANCASH 24 WILL BE AVAILABLE FOR...  
DEPOSITS • WITHDRAWALS • TRANSFERS  
• GETTING BALANCES • & MORE  
24 HOURS A DAY  
7 DAYS A WEEK  
TEXAS BANK  
AND TRUST COMPANY  
MEMBER FDIC

This newspaper ad placed by Texas Bank, Sweetwater, extolled advantages of bank's new ATM, especially that of allowing card holders to be able to obtain cash whenever needed — even on Christmas Day!

MID-CONTINENT BANKER for April, 1979



Union Bank of Tucson's ATM is located in well-lit, inside area, where card holders may use machine and be protected from elements.

# Package Plans

(Continued)

The ATM card was mailed to club members about two weeks after the introductory letter went out. Because it's a debit card only (no credit features), it's legal to send such cards unsolicited. Members were asked to visit the bank personally to pick up their personal-identification numbers (PINs), and Mr. McCullough says 25% did so. After 30 days, the PINs were mailed to those who did not go to the bank.

Mr. McCullough says the bank wanted club members to come in for their PINs so that they actually could work a demonstration ATM with their own cards. For 45 days prior to activating its ATM, Texas Bank held "live" demonstrations on an ATM in its lobby, right at the entrance where it was impossible for visitors to miss seeing it. Mr. McCullough hired an attractive young woman solely to tell lobby visitors about the ATM and to help people use it and, as he points out, become at ease with it and confident that it was simple to use.

These demonstrations were held during the Thanksgiving and Christmas seasons, and so a great many persons went to the bank and used the ATM.

Mr. McCullough also ran newspaper ads on the ATM. One emphasized the 24-hour-a-day, seven-day-a-week advantage of it by emphasizing that, although banks are closed on Christmas Day, the ATM would be open, and anyone with an access card could get cash then.

Incidentally, Texas Bank's ATM is located in a well-lighted, enclosed vestibule at the bank entrance, and so users are protected from the elements. According to Mr. McCullough, the machine is being used about 750 times a month, with the greatest usage coming at 6 a.m. or 7 a.m. — probably because area residents are farmers or industrial employees and get up early.

Texas Bank has 5,500 noncommercial accounts that are eligible for BanClub membership. Of those 5,500, 41% — or 2,250 — belong to the club. Within a year after offering the ATM as part of the package, its penetration

moved up to 41% from 28%. Mr. McCullough sees BanCash 24 as a way to get the other 59% — or 3,200 — accounts to become "paying customers" of his bank.

*Union Bank, Tucson.* This \$111-million bank has such "big-gun" competition as the statewide Valley National, First National and Arizona Bank, which "give away" their automated teller machines. Union Bank realized it had to offer ATMs, too, but, looking at such service realistically, knew it would have to charge for it. The question was: How to install this expensive equipment and make it pay? The bank found the answer in Madison Financial's "The Club" and its related ATM program, 24-Hour Clubhouse.

**How can medium-sized and small banks justify the cost of installing ATMs? One answer is a package plan that involves installation of on-premises ATMs without any capital investment on a bank's part.**

Under Madison Financial's program, Madison purchases an ATM, not the bank. In turn, the bank pays Madison Financial a monthly fee so that it can offer The Club benefits, including the ATM. Normally, says Madison Financial, a bank that already has The Club can add the ATM and go up on the monthly club price to customers (say, from \$3 to \$4) and more than offset an ATM's cost.

Madison Financial's concept of the 24-Hour Clubhouse is this: Sooner or later, banks must cost justify their ATM programs. The fact is, even banks with large customer bases haven't been able to cost justify ATMs on the basis of *usage* (although vendors have, for years, been saying a bank should mass-mail plastic cards and, with heavy usage, replace tellers, shorten banking hours, etc. This simply has not happened). For a smaller bank, with a

limited card base, cost justifying an ATM is almost impossible.

The alternative is to charge the customer. Yet *transaction* charges tend to inhibit machine usage and are hard for a bank to market — especially when, as in Union Bank of Tucson's case, competitors are giving away cards.

Thus, Madison Financial's concept with the 24-Hour Clubhouse has been, in effect, to have a bank charge the customer for machine use — not through transaction charges, but as part of a club program. The right to use the 24-Hour Clubhouse is a benefit of club membership, along with other benefits such as no-service-charge checking, personalized checks, \$10,000 accidental death insurance, national discounts, etc.

Union Bank of Tucson had been a *free-checking* bank. Yet, 3,600 persons belong to the club — 11% of the bank's total checking accounts — and these 3,600 pay \$3 a month each to be members. Thus, in addition to paying for its ATM, the bank has generated in excess of \$5,000 monthly service-charge revenue that simply was not there before.

One ATM is in a downtown location, normally the worst possible place for such equipment. However, says Madison Financial, usage there has been high — around 100% of transactions to cards outstanding — a ratio normally seen only in the most successful mass-issue programs.

The bank reports that there are 81 transactions on weekends at its two ATMs (one at the main office and the other at a branch) and 75 Mondays through Thursdays. The 24-Hour Clubhouse is advertised over radio and TV, on billboards and in statement stuffers.

Union Bank offers The Club members such extras as 40% off on Double-day books, 15% off on domestic rentals of Hertz cars, \$4.98 saving on "Sylvia Porter's Money Book," a \$7.95 saving on Sylvia Porter's money box (file) and discounts on vitamins, rooms at nationally known motels and at tourist attractions in Florida.

According to William B. King Jr., chairman of Madison Financial, many more banks will cost justify their ATMs by building them into their club programs. This, he continues, is especially true since the new Banking Act forbids mass issue of personal identification numbers. Thus, for a bank to mass-issue cards — when it's a certainty that most of them never will be activated — is even more ill advised than it was formerly. As Mr. King points out: "Building an ATM into a checking-account package makes more sense than ever!" ●●



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# Consumer-Operated Terminal Network Links HC's Nine Banks, 150 Branches

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LATE in 1976, BayBanks, Inc., a \$2.6-billion multi-bank holding company with nine banks and more than 150 branches throughout eastern Massachusetts, decided to undertake a project that would link all branches with a network of consumer-operated terminals.

BayBanks viewed this effort primarily as research and development (R&D). To initiate its entry into the world of EFTS, it hoped to gain experience from a basic, but significant, step.

Other objectives included fully exploiting BayBanks' distribution network. To the extent allowed by state law, BayBanks wanted to enable a customer to take advantage of its extensive branch network by permitting him to determine his balance and approve his own personal check in any office of a BayBank in eastern Massachusetts. The HC also wanted to establish a plastic card base and, therefore, sought to provide real utility for its new plastic card. Finally, it wanted to begin the important step of customer education in use of EFTS equipment.

The task force charged with evaluating an EFTS program had recommended ATMs in selected locations and low-priced, consumer-operated terminals in all locations. The philosophy was to use the consumer-operated terminals, known as BayBanks X-Press units, to orient bank-users to the world of plastic cards, passwords and EFTS in general. It was anticipated that this first step would help prepare customers for more sophisticated equipment — ATMs or other future developments. With lobby terminals and branch staff at hand to offer assistance, a good customer introduction to EFTS could be established. In addition, the relatively low cost of these units enabled BayBanks to justify installing a unit in every banking office.

When the HC began examining terminals for this use, cost and size became threshold criteria; that is, the terminal had to fit comfortably in a branch and had to be reasonable in

price. With this in mind, BayBanks performed its evaluation on five terminal systems manufactured by four suppliers. The Datatrol FT-3214 consumer-operated lobby terminal finally was selected.

The HC felt that Datatrol's biggest advantage was its flexibility. BayBanks liked the down-load feature, which meant that if an inaccurate projection was made in terms of what the customer liked or how the operational sequence should be done, it could be changed. (The TOPS feature of the Datatrol system enables implementation of new programs or changes via a down-load message from the central host system without any changes in hardware.)

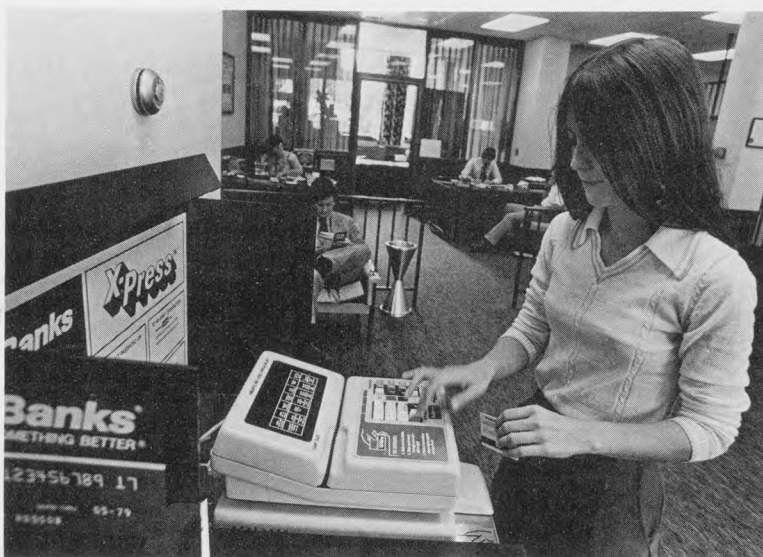
The terminals proved to be flexible in other respects as well. They were totally compatible with other elements of BayBanks' network, including host computers and ATMs. It also was noted that the heavy use of lead-

through (prompting) on the Datatrol system made it one of the easier terminals for customers to use — an important selection criterion.

Complete implementation of the program, which included defining the task, designing the overall program, setting up the computer system and all components, selecting functions to be performed on terminals, issuing cards, training branch personnel, providing initial education to bank customers and debugging the system, took place within a 10-month span.

Customers can perform three functions on BayBanks' terminals: balance inquiries, check approval and transfer of funds between a customer's own accounts. Balance inquiries were selected because this transaction was fundamentally simple and would not disrupt actual balances in any way. In addition, it was thought customers would enjoy "playing" with the termi-

*(Continued on page 111)*



Young woman operates terminal in branch of one of Massachusetts' BayBanks, using her X-Press plastic card. These consumer-operated terminals link all branches in BayBanks network and allow customers to determine their balances and approve their own personal checks, without help from bank employees.

# \$700,000-Per-Day Improvement In Available Funds Produced With Bank's New MICR System



Programmer Terry Gannon of First Nat'l, Elgin, Ill., points out job-status-report feature of on-line balancing to proof and transit supervisor, Irene Nussbaum. This feature is part of new MICR system installed last year.

A \$700,000-per-day improvement in available funds is just one of the advantages First National, Elgin, Ill., gained last year, when it installed a new magnetic-ink-character-recognition (MICR) system. Because of this increase, the bank expects the system to pay for itself within 10 months from time of installation in August, 1978.

In addition, the bank is using the new MICR package as a common capture system for all the other systems at the bank. Information captured from MICR is the front end for input for demand deposits, installment loans, CDs and savings.

Still another benefit is the system's multi-bank processing capability, which gives First National the ability to market correspondent banking services. Last October, its first customer came up under the system called UCC SUPER MICR-SS, purchased from University Computing Co., Dallas.

First National is the largest bank in Kane County, with \$174 million in assets, and it offers commercial, retail and correspondent banking services to the entire county. Greg Gaalema, vice president and controller, says the bank had bought a MICR package eight years ago, and it was working well. However, he points out, it was inflexible, and any changes the bank wanted to make in its application systems required time-consuming programming changes in the MICR system. Mr. Gaalema says each change was difficult and was costing a lot of money to implement.

First National knew it didn't want to take the time to enhance the system it had and believed that a vendor package would better serve the bank's requirements. However, before looking into vendor software, First National's data processing steering committee set up standards for all companies whose packages were to be evaluated:

1. The system must be flexible.
2. The company must have good documentation for users and data processing areas.

3. The system must be compatible with First National's present equipment — an IBM 370/135.

4. All necessary management reports must be included in the package.

5. The system must be marketable to correspondent banks.

6. The system's cost must be reasonable.

The bank required flexibility so that it could create and change sort patterns and end points as well as sort checks to meet earlier deadlines. The bank wanted the ability to change sort patterns not only at various times during a day, but also on various days of the week. Another important part of a MICR package would be a management-reporting system with customer-deposit, proof-machine-operator and end-point analysis.

After narrowing down the MICR systems on the market to three, First National chose University Computing's UCC SUPER MICR-SS because, as Mr. Gaalema explains, "We were impressed with the UCC/MICR installation at LaSalle National Bank (Chicago's sixth largest), and the package also gave us the flexibility we required."

Most of all, he continues, the UCC SUPER MICR-SS product is written especially for banks the size of First National, and it minimizes core requirements for disk-operating-system (DOS) operations using a single sorter.

Planning for the installation began in

---

Greg Gaalema, v.p./controller, First Nat'l, Elgin, Ill., says bank's new MICR system provides flexibility that was not present in its former system.



February, 1978. First National went through each step to make sure all the hardware was in place, all forms ordered, all software tested, sort patterns completed, on-line reconciliation cathode-ray tubes (CRTs) installed and all other work finished so that the new software installation would be as trouble free as possible.

The system went into full production last August 1, and the bank now is processing about 60,000 documents a day, running a single IBM 1419 sorter.

First of Elgin uses Courier CRTs to make on-line corrections to rejects as well as for balancing the reader-sorter runs without the usual computer-generated reports. By correcting the MICR data base, the bank achieves accurate float and posts proper available balances to demand-deposit accounts.

When the management-reporting module is installed in the near future, it will be used extensively to analyze transit end points in order to obtain better availability and to analyze customer deposits. The bank believes this will be especially helpful in its new-business expansion.

"That's just one of the plans we have for our MICR system," says Mr. Gaalema.

He says First National is pleased with its new UCC SUPER MICR-SS system. By careful evaluation of MICR products on the market today, he adds, his bank was able to choose the package best suited to its needs. First National is using SUPER MICR to fulfill those needs and has plans to expand its uses so that it can continue to be able to stand behind its assertion of being the top bank in its area. ●●

**THIS YEAR, MOSLER WILL INTRODUCE MORE  
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OF SECURITY AND TRANSACTION SYSTEMS.**

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Whatever your security or transaction needs, and whatever the size of your operation, your Mosler representative has the equipment that meets your requirements.

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**YOU'VE GOT NEW QUESTIONS. WE'VE GOT NEW ANSWERS.**

**Mosler**

An **American-Standard** Company

Hamilton, Ohio 45012

Chicago's terrible weather early this year gave First Nat'l of Chicago an unusual selling point for its Pay-by-Phone service, as shown in this newspaper ad. Two photos contrast misery of having to go outside to mail bill payments with comfort of doing so at home via telephone.

## The Telephone: A NEW, New Sales Tool!

By **BRUCE BURCHFIELD**  
Assistant Vice President  
First National Bank  
Chicago

**T**HE FIRST telephone-bill-payment service was offered by Seattle-First National in 1973. It allowed customers who had touch-tone phones to call in and pay their bills. This telephone-bill-payment function was but one of several features offered in this system.

In addition, such things as income-tax calculation, household budgeting and use of the touch-tone telephone as a computer were offered. The result of this early trial was a dismal failure. This was a result primarily of limiting this service to touch-tone phones. Seattle had a touch-tone penetration of only 15% at that time, thus restricting 85% of the market from the service.

Telephone bill payment went into remission for several years and then began to receive attention from thrift institutions. They felt the telephone-bill-payment product could reduce the need for checking accounts. Thus, their customers could receive all their banking services from a thrift.

Of late, attention has returned to commercial banks, primarily large ones. We are the largest bank in the country to offer such a service but recently Manufacturers Hanover, Chemical Bank and Chase, all in New York City, have indicated their intentions to offer this service. Currently, about 125 financial institutions offer some form of telephone bill payment.

*Why Telephone Bill Payment.* Telephone bill payment isn't for everyone, but three factors are contributing to its consumer interest:

1. Cost of technology.
2. Cost of postal services.
3. Societal trends.

In this period of spiraling inflation, one bright spot is technology. Costs in this area are dropping dramatically. For example, a computer with the same capacity that sold for \$200,000 10 years ago can be purchased today for \$1,600. What this means to banking is that we now can offer convenient, attractive automated products at a reasonable cost. There is no question that reduced technology cost makes telephone bill payment more appealing.

The second factor is postal rates. These rates are going up dramatically and show little sign of abating. The postal service continues to be labor intensive. This will cause rates to go up higher.

Final factors influencing telephone bill payment are societal trends. The two most significant are the trends toward energy conservation and convenience. Banking services are facilitative. That means that consumers generally do not receive any satisfaction in performing banking functions. With gas prices going up, consumers will want to save unnecessary trips, and no one has ever accused banks of being conveniently located. Most of us have stuffed our banking centers in downtown areas with little parking and limited hours. The trend will be an

## How can you pay your bills and do your banking without fighting the Winter of '79? Ask Chicago's Bank.



Ask for Pay-by-Phone. At The First National Bank of Chicago, we've got an exclusive new service called Pay-by-Phone. With Pay-by-Phone, you can do your bill paying just by using any phone. And you can do this 24 hours a day, seven days a week, no matter what the weather is. You can make your mortgage payments, pay utility bills, loans, even make Visa card payments. On time. All by phone. You can even transfer money from your First Account savings into your checking account to cover you if you're snowed in. You can check your account balances whenever you want from the comfort of your home. It's easy to keep track of everything you've done, too. Because every month, you get a detailed description of every Pay-by-Phone transaction right on your monthly checking statement. It shows whom you've paid, how much you've paid and when. All on one sheet. It gives you the same proof of payment your cancelled checks do now. So call our Pay-by-Phone Manager, Bruce Burchfield at 732-2427 and get Pay-by-Phone. It makes your bill paying much faster and a lot easier than it has ever been. And the best part is you don't have to fight the Winter of '79.



**Ask Chicago's  
Bank.**

**FIRST CHICAGO**  
The First National Bank of Chicago

Member FDIC  
Pay-by-Phone is also available at our Erie & Fairbanks and Wabash & Monroe Banking Centers.

increased desire to avoid going to the bank.

The effect of this decrease in cost of technology, increase in postal rates and change in societal trends is an environment for change. But let's not forget the banks. Why are we interested in the change?

First, we believe if you listen to your customers and give them what they want, you will keep them. And that is not a bad objective for any of us. But equally as important is the new customer you attract with telephone bill payment, and attracting new customers is as American as apple pie.

Let's look at the profile of the customers attracted to telephone bill payment. First, they are young. Sixty-four percent are under 44 years of age. They tend to be home owners. A full 85% of those using the service own their own homes. Fifty-seven percent of users fall into the professional or managerial classifications, and their income profile is well above average. We at First National call this customer "up-scale." Whatever you call them, *they're good to have and they say they will switch banks for this kind of service.*

*What is Pay-by-Phone?* Now that you know how we decided on Pay-by-

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

# THIS YEAR, MOSLER IS INTRODUCING A NEW KIND OF VAULT DOOR.



## IT'S TWICE AS STRONG AS STEEL.

That's right. Our new American-Century Class II Vault Door offers twice the attack resistance of hot-rolled carbon steel. And three times that of reinforced concrete. Which makes it UL-listed and rated Class II (1 hour).

All because of a new material we've developed called SUPERLOY<sup>®</sup>, a uniform, single-layer structure that's far stronger than any combination of steel and concrete.

Yet our Class II door is lighter and more competitively priced than other doors that offer the same protection.

It features Mosler's triple movement, 120-hour time lock. It's backed by the finest service organization in the industry. And we think it's good looking, too.

Ask your Mosler representative about the new American-Century Class II Vault Door. Or write us at Dept. AC II, 1561 Grand Boulevard, Hamilton, Ohio 45012. Find out why Mosler has always been a leader in security equipment.

**YOU'VE GOT NEW QUESTIONS. WE'VE GOT NEW ANSWERS.**

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# Somebody has to set the standards.



The William Mason Decoy.

Handcrafted in 1915 with the ultimate in skill, patience and care. Reflections of nature in color and detail. Masterpieces by necessity. From Colombia to the Chesapeake, the standard for weekend sportsmen, craftsmen, collectors. Then, and now.

Deluxe.

Since 1915, dedicated craftsmen. People who demand of themselves the ultimate in skill, patience, performance. The result: quality

financial products and services. Functional tools that meet your needs and satisfy your expectations. By necessity.

Deluxe.

Then, and now—the standard.

You see, others may try to imitate, but there's only one Deluxe.

 **DELUXE**  
CHECK PRINTERS, INC.

First Nat'l of Chicago provides its Pay-by-Phone customers with a users' guide, which is a handy, foldout booklet, described as an "everything you wanted to know about Pay-by-Phone, but were afraid to ask."

This guide includes important points about the service, personal-payment directory, how to make a balance inquiry, preparing for and making Pay-by-Phone calls and questions and answers about Pay-by-Phone.

Mr. Burchfield points out that, aside from the bill-payment feature, the bank has found the transfer fund and balance inquiry features to be extremely attractive to its customers — especially during the "Blizzard of 1979."

Phone, let me tell you what it does. Pay-by-Phone is a registered trademark of Telephone Computing Service (Seattle) and has become a synonym for telephone bill payment. It is a service that, in its simplest form, is easily adapted by any financial institution. Yet it can become a highly sophisticated, technical service offering. It is, without a doubt, one of the more complicated product offerings to come out of the banking community in years. The complexity results from involvement of merchants (commercial bank customers), consumers (retail bank customers) and computer technology.

The most basic feature of any telephone-bill-payment service is the ability for consumers to initiate bill-payment transactions via the phone. However, we at First National have added five additional features to this basic configuration.

*The first* is the ability to make bill payments on future dates up to one month in advance. This allows customers a cash-management feature. They are able to make a single call and initiate transactions for different dates.

*Secondly*, customers can call in and initiate transfers between checking and savings accounts. This avoids trips to the bank for such transactions.

*The third feature* we added was the ability to initiate recurring payments such as home mortgages and auto loans, thus eliminating those periodic, fixed-amount payments from consumers' check-writing activities. Also, we combined the "pay-yourself" feature into our bill-payment system. This promotes a programmed savings plan for consumers by initiating standing-instruction transfers from checking to savings on a regular basis.

*The final feature* we added was balance inquiry. With this feature, customers can call in and automatically verify their checking and savings balances.

As I mentioned earlier, Pay-by-Phone can be organized in a simple or complex fashion. The simplest fashion would consist of an operator who re-

ceives incoming calls and transcribes those calls on a bank document. We have chosen a more sophisticated approach, which includes a stand-alone computer, a voice-response unit to talk to touch-tone users, and CRT terminals would be used to input payment instructions from rotary-dial callers. We are offering this service on a 24-hour day, seven-day-a-week basis. However, this system could be operated on an 8-5 workday basis in some markets. The interesting part about Pay-by-Phone is that initial expense need not be a major factor in getting into this kind of business.

*How Does It Work?* Development of a Pay-by-Phone system is a three-six-month proposition. The three-month schedule would be appropriate for a less-sophisticated system. The initial phase includes merchant sign-up. During this period, merchants are explained the Pay-by-Phone service and asked to participate. Key merchant groups include utilities, department stores, travel and entertainment companies and bank charge cards.

So that I can better show you how this product works from a consumer standpoint, I will take you through the process from sign-up to use. First, we ask each customer interested in Pay-by-Phone to fill out a special Pay-by-Phone application. On this form, each customer lists names of merchants they would like to pay and their account numbers at each merchant.

We then compare the customer's list with those merchants participating in our program. We assign a security code to each customer and a four-digit merchant code to each merchant. This merchant code is used when payments are made. Then, we send the customer his own "personal-payment directory." This list contains the customer's checking-account number, security code and list of merchants he can pay by phone. We also include a users' guide. This is sort of an "everything you wanted to know about Pay-by-Phone, but were afraid to ask." Merchants not already on our system will be contacted when a sufficient volume

of requests to pay them is received.

In addition to sending out the personal-payment directory to our customer, we also send a verification report to each merchant confirming our customer's account number at that merchant. This process minimizes the potential of misapplied payments when the customer subsequently initiates telephone-bill payments.

Once the customer receives his personal-payment directory, he is in complete control. He decides whom to pay, when to pay and how much to pay. Payments are remitted to merchants using a remittance report, which lists each customer making payment on that day, that customer's address, that customer's account number with the merchant and his payment amount.

In addition to the report going to the merchant, we document the bill payment on the customer's monthly checking statement. The full name of the merchant is printed (e.g., Illinois Bell Telephone) along with the payment amount.

Customers using touch-tone are guided through the transaction by a computerized voice. This voice asks for certain information to be keyed in using the touch-tone buttons and repeats back all information entered for verification. Customers without touch-tone may dial in to human tellers to initiate their bill payments.

Pay-by-Phone has been well received in the Chicago market. Public relations announcements from TV, radio, newspapers and consumers have been favorable.

*Your Own Pay-by-Phone?* I mentioned earlier that Pay-by-Phone may not be appropriate for all financial institutions. However, I will review some points to consider in initiating this type of service and some information on suppliers providing Pay-by-Phone service.

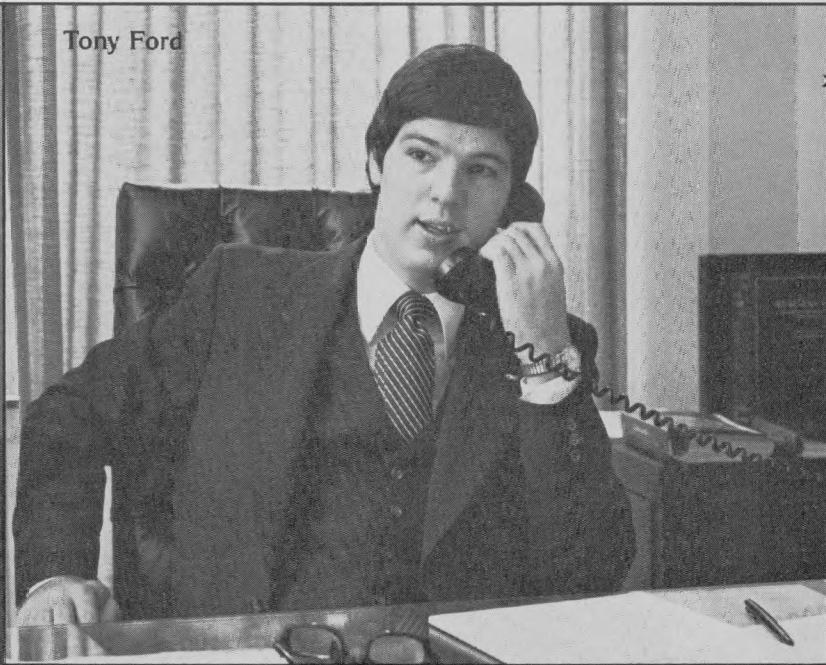
Basic points to consider are common to most product-development efforts. They are, however, worth repeating. First, you will need to look at consumer interests in this type of service in your area. We have seen market-research surveys from around the country, and they do indicate some differences in desirability of telephone-bill-payment services depending on the location. In addition, consumer awareness of electronic funds transfer (EFT) services is a factor in this interest. We currently operate 34 automated teller machines with monthly activity above 200,000 transactions. Touch-tone penetration also may be a factor in your decision.

(Continued on page 50)

Mark Schwartz



Tony Ford



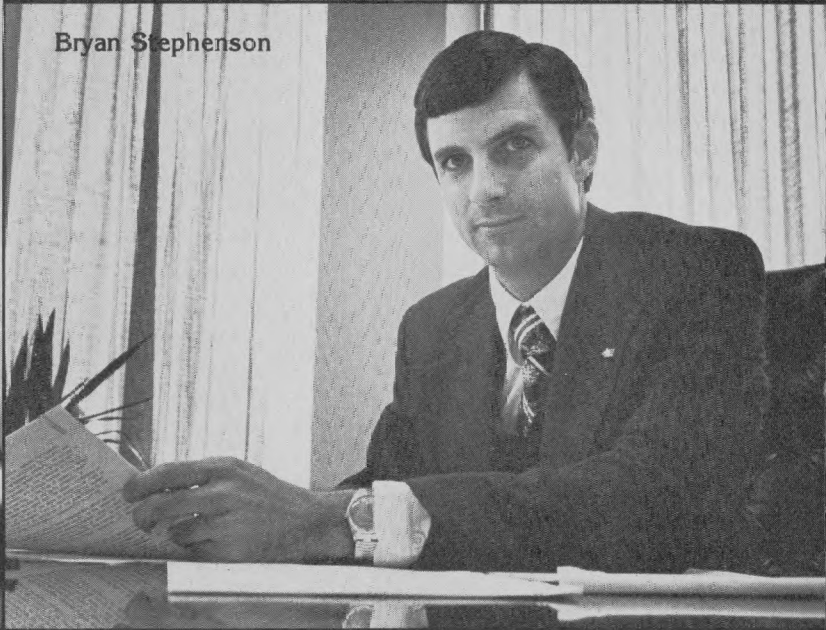
Liz Catterton



Hallie Smith



Bryan Stephenson







# Some of our most valuable assets are reserved for your correspondent banking needs

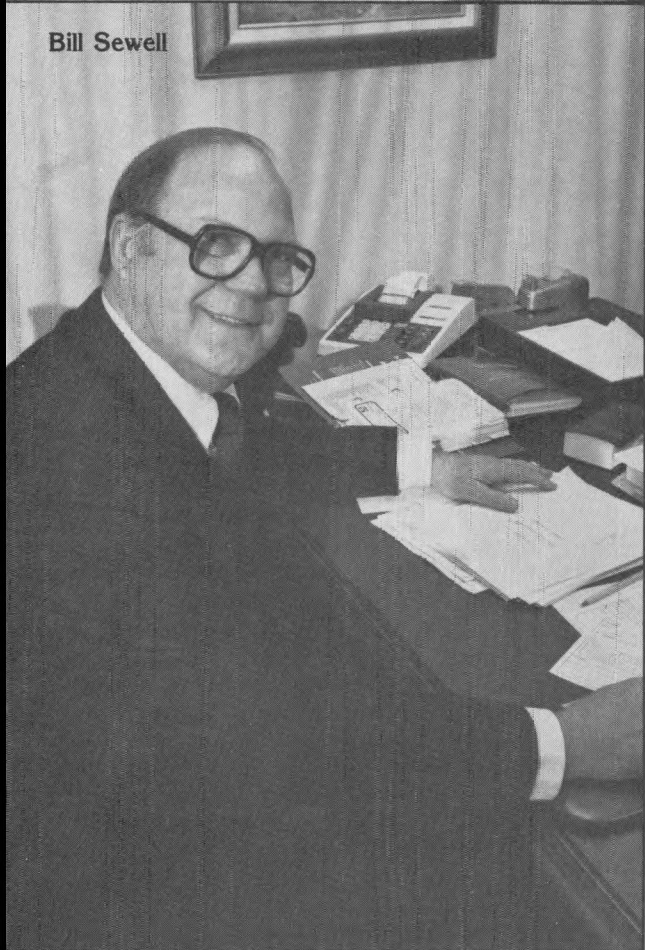
Dan Shannon, Bill Sewell, Bryan Stephenson, Liz Catterton, Tony Ford, Mark Schwartz, Hallie Smith.

At Fort Worth National, our people are our most valuable assets. Particularly those who make up our Correspondent Banking Department.

You have a personal correspondent banker who has a day-to-day working knowledge of your account. But you also have our entire department working for you.

So you can count on getting a *timely response* from us every time. On check processing, loan assistance or investments. Or any other information you need. Just call 817/338-8276.

This combination of personal service and real team effort means *performance* when you need it. It's a good reason why so many bankers say,



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NATIONAL**   
*...that's my* **BANK**

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Chicago has a 50% touch-tone penetration. This is 2½ times the national average (20%). There are more advantages to offering Pay-by-Phone if you have higher concentrations of touch-tone phones. Next, you will need to consider your current market share and your bank's image within your own market. Pay-by-Phone has helped promote an innovative image for all financial institutions that have offered it. Included in this analysis is a review of your competitive position in your own market. The final review is one of

a return-on-investment analysis. This bottom-line review should be made if all the above factors point toward the desirability of a Pay-by-Phone service.

It is worth noting that the automated clearing house (long considered the savior of banks in the paper-processing battle) processes about the same number of private-sector debits as do telephone-bill-payment services. However, Pay-by-Phone-transaction volumes, as well as number of suppliers, are growing at a much more rapid rate.

**Suppliers.** Our service was developed by Telephone Computing Services of Seattle. There are a number of suppliers of telephone-bill-payment packages in the market.

**Summary.** Telephone bill payment does provide convenient personal financial services. While the jury is still out on whether it will be a success, the trends favor its acceptance, and the recent growth acknowledges its progress. I firmly believe that the revolution in EFT has found its medium. ●●

## Alabama Gets Telephone-Bill-Paying Service

**“BILL PAYER,”** the telephone-bill-paying service offered by First National, Birmingham, Ala., began last November and is designed primarily for paying routine bills such as gas cards, retail stores, utilities and others more conveniently than paying by check. In addition, First National customers can transfer funds between their checking and savings accounts via the system. First National says it's the only bank in the state to offer such a service.

According to a bank spokesman, First National is on target with its projected Bill Payer customer and merchant goals. The number of customers signing up for telephone-bill-paying services is compatible with statistics of other banks the size of First National that offer similar services. First National reports good responses from businesses, and the bank now is paying all Birmingham utilities as well as a growing merchant base via Bill Payer.

The service, says the bank, is being marketed with the same concepts that have made its “William Teller” automated teller machines the most recognized ATMs in the bank's market area. Bill Payer is being advertised through TV, radio, newspapers, magazines and billboards. In addition, present bank customers are solicited through statement stuffers, branch display boards and brochures.

In announcing the new service, First National's president, Dan L. Hendley, said, “Bill Payer will give the bank's customers the advantages of electronic banking while it allows them to retain full control over how and when their payments are made.” He explained that there would be no change in billing methods used by merchants and that participating customers would continue to receive their bills as usual. However, since payments are initiated by phone calls to

the bank by recipients of bills, customers can decide exactly when, to whom and for how much each payment is made.

“The service saves time and money for all concerned,” said Mr. Hendley, “It is fully tested, safer than paying by check and far more convenient. Telephone transactions are not intended to replace checking services, but rather to complement them.”

Using Bill Payer is simple: A participating customer simply calls the bank's telephone-bill-payment operator and identifies himself to the operator. Then, the customer tells the operator whom to pay and how much. The bank does the rest. In most cases, payments are made to merchants on the next business day. In the near future, Bill Payer customers will be able to make payments directly by using a push-button phone, thereby

eliminating direct contact with the operator.

First National points out that advantages to the system include the convenience of being able to pay bills at any time, no postage expense and no possibility of lost or stolen funds. Telephone bill payments are totally safe because only accounts previously authorized and confirmed by both the customer and merchant can be paid through this system.

Besides these benefits, First National continues, Bill Payer makes money management and record keeping simpler, eliminating canceled checks, payment books and coupon stubs. These are replaced by 12 descriptive monthly checking-account statements detailing all Bill Payer payment transactions. At the end of each year, customers also will receive summary statements of all payments, showing number of payments made to each business, average payment and total paid each merchant during the year.

The bank charges 15¢ per Bill Payer transaction. However, there's no charge for transferring funds between a customer's First National checking and savings accounts or for making First National Master Charge, First National Visa or First National installment loan payments.

Merchants who participate benefit by receiving guaranteed funds promptly and at no cost for the service. They receive no insufficient-funds checks and are sent one easy-to-process remittance instead of many customer checks. First National also sends merchants daily remittance reports, which list account numbers to be credited, customers' names and payment amounts. Merchants are paid by direct deposits to their First National checking accounts or by official bank checks. ●●



From now on, you can pay your monthly bills by phone. So you don't have to worry about writing any checks or searching for any envelopes or stamps.  
Just call First National's Bill Payer.  
Any time of day.  
Any day of the week.  
And he'll take care of everything.  
He'll actually pay your bills for you.  
All you have to do each month is give Bill Payer a call, give him your name, your account number and identify which merchants you want paid. Then that's it. He'll pay the bills and deduct the proper amount from your checking account.

He'll take all the hassle away.  
Think about it: No more stamps or envelopes to buy. No more checks to write. No more addresses to lose. No more midnight rides to the mailbox. And no more worrying about whether or not your checks will be delivered on time. Because overnight's taken care of for you.  
He's waiting to hear from you.  
So if you'd like to stop going through all the hassle of paying bills each month, stop by any First National office or call 326-5885 for more information. And we'll introduce you to someone who knows a better way: Bill Payer.

**Call Bill Payer, The  
Newest First National  
Banker Of Birmingham.**

He'll help you pay monthly bills without writing checks.

**THE FIRST NATIONAL BANK OF BIRMINGHAM**  
AN ALABAMA BANK CORPORATION AFFILIATE MEMBER FDIC

© Copyright 1978, The First National Bank of Birmingham

This ad introduced telephone-bill-paying service of First Nat'l, Birmingham, Ala., to public.

MID-CONTINENT BANKER for April, 1979

# 1,000 TWO COLOR SIGNS NOW ONLY \$267<sup>00</sup>

(INCLUDES TITLE STRIPS & LOBBY PLACARDS!)

Red & Black Art  
on  
White Sign Stock

— Plus \$10.00 Set Up



## C'mon, Guys...

**we all know Garage Sales are a big thing!** And women will drive miles to get free signs! You'll have lobby traffic you wouldn't believe! *Give 'em two or three signs . . . or charge 25¢ each!* They tack 'em up all over town, and love you for it! Great advertising . . . fine P.R. And we send a good stock of conversion strips, so the girls can change the header to "**Rummage**", "**Yard**", "**Porch**", and so forth. Enclose a velox, letterhead, or something with your art on it, please! **Order before prices go up!** Our signs are in great demand nearly everywhere they are offered!

*Hey, Sue . . . We'll take a shot at this! Bill us later!*

Bank \_\_\_\_\_

Street \_\_\_\_\_ Box \_\_\_\_\_

City/State \_\_\_\_\_ Zip \_\_\_\_\_

Name & Title \_\_\_\_\_

(Be sure to enclose a velox, letterhead, or something with your art! Delivery takes about three weeks from time we receive your order!)

### SEND US

- 1,000 Signs @ \$267.00
- 2,000 Signs @ \$436.00
- 3,000 or More @ \$216.00/M

- 500 Signs @ \$161.00

*Fill Out . . . Send Coupon to Us Today!*

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**FAST**  
**Dependable Insurance**  
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Ron Hunter, our new man in the Mid-South, is reviewing some of our programs with Doug Hayes, President of Citizens State Bank, Parsons, Tennessee. Mr. Hayes and his staff are helping their community grow.

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**Financial Defenders Inc.**  
1255 Lynnfield Rd., Suite 205, Memphis Tn. 38138 (901)767-5052

# Terrebonne Tower Marks New Era;

*Oil, Fishing Industries Spur Growth in Houma, La.*

On Cover: Inset shows Edward S. Gaidry, chairman, Terrebonne Bank, Houma, La.

**F**OR Terrebonne (Good Earth) Parish, which includes Houma, La., rampant growth has been as common as the pirogues that ply its scenic bayous. Keeping pace with that growth is the challenge the area's oldest and largest bank, Terrebonne Bank in Houma, has taken on with zeal. Edward S. Gaidry, the bank's chairman, is optimistic about the future of Terrebonne Parish (County) and his bank.

Pointing to the latter's newly opened seven-level, \$5-million bank office tower located in the heart of Houma, he says, "This new building is our best way of indicating to the public what we feel about this community. The Terrebonne Bank Tower was conceived several years ago as the local oil industry began developing into the billion-dollar business it is today. At about that time, the physical size of Terrebonne Bank also began to grow. Our bank's building doubled in size in 1940. In 1956, we had to move to the building occupied before Terrebonne Tower was built."

Three more stories were added to the old building, but those still weren't enough.

"We went out on a limb," he continues, "and began looking for something for the future that meets our pocketbook, and we came up with this building."

Mr. Gaidry was elected chairman and CEO of Terrebonne Corp. in 1978 after serving as bank president 14 years.

"TBT (for Terrebonne Bank & Trust) invests its money in the community in many ways," Mr. Gaidry points out. "We assist the public bodies, for example, sewer and drainage districts,



Over-the-street walkway connects garage and main office, providing entrance to tower via loan department.



Contemporary 100,000-square-foot building features exterior materials of bronze setting integrated with white masonry panels.

by buying their bonds and by helping to create markets for them. We also help the fishing industry. We have financed many shrimping plants and helped make the wheels roll."

Many oil service industries in Terrebonne also could not have made it "from rags to riches" without Terrebonne Bank's help, according to Mr. Gaidry. The bank has financed many of the tugboats, cargo and supply boats on which the industry depends.

"We also finance the catering people who take care of the food catering business on the offshore rigs. The Louisiana Off-Shore Caterers, Louisiana Gulf Industries, Marlin Marine and Main Ironworks are some of the local companies that got underway and prospered with the aid of Terrebonne Bank."

Bank President L. J. Folse says, "Terrebonne Bank is a community-owned and operated institution. We are the largest as a result of the type of service we provide the community."

Most of the bank's 1,500 shareholders live in Terrebonne Parish or are descendants of original shareholders who had resided in the parish.

"Our bank's philosophy always has

been to put the deposits of the community back into the community," says Mr. Folse. "Our No. 1 objective is to get our money back into the community in terms of loans of all types, and, as a result, we obtain a healthy loan-to-deposit ratio."

The major factor shaping the unprecedented growth of Terrebonne Parish, located on the central Gulf Coast of Louisiana in what once was a Mississippi River delta formation, has been the discovery and development of vast petroleum resources in the area. About 86% of the parish's area is open water or wet land marsh. The marsh estuaries support numerous shellfish, fish and other wildlife. It has a large population of American alligators and three active bald eagles' nests.

The parish's population grew rapidly from 1950 to 1970, and the 1977 population was nearly 86,000, more than two-thirds of whom reside in the area around the city of Houma, the parish's only municipality. Projected population for 1995 is 118,117. Prior to 1930, the parish was a relatively slow-growing area, devoted primarily to agriculture and fishing. Since then, it has



First and second floors extend into 6,000-square-foot triangular-shaped customer-service area illuminated during day by four large skylights.

grown at more than half the national rate and has become one of the nation's leading producers of oil and gas. In recent years, the parish has ranked second in the state in mineral production, producing nearly 16% of the total value of the state's production. Out of a total civilian labor force of 26,225, about a third are employed in mining, manufacturing and construction. There are more than 2,000 full-time commercial fishermen in the parish.

The city of Houma has developed into an oil industry support center for much of the Gulf Coast region. Major fabricators and shipyards in the parish supply oil drilling and production operations within a radius of approximately 150 miles. The Houma/Terrebonne economy no longer is dependent solely on extraction of oil within the parish, but the area has become a service and equipment manufacturing center for the oil industry in a large portion of the Gulf Coast. In fact, Terrebonne Parish now is supplying drilling equipment to oil fields in the North Sea, Malaysia and other offshore fields around the world.

This sector of the parish economy also will continue to prosper as energy demand increases. Officials of Chromalloy Natural Resources, one of the world's industrial giants and among Terrebonne Parish's largest employers, recently reported that some 10,000 jobs will be created in the Houma area in the next few years.

It's obvious that the parish is a finan-



Executive and administrative offices are located on top floor, where decor is traditional.



This is typical executive office in new home of Terrebonne Bank, Houma, La.

cially sound governmental entity. It has an AAA general obligation bond rating and a history of continually increasing assessed property values. In 1960, the total parish assessed value was \$56,755,180. By 1970, it had more than doubled, and by 1977, it was \$167,663,425. By next year, it will have reached more than \$200 million.

What do all the figures mean? To Edwin S. Gaidry, they mean a "better quality of life" for the people of Ter-

rebonne, its business and civic community. And Mr. Gaidry sees the future of the parish as being even brighter than its past. The veteran banker notes that Terrebonne Bank "has taken an active part in the economy of the parish since the bank opened in 1910." In less than seven decades, the bank, which started with a mere \$50,000 in capital, has seen a surge in total assets, some \$17 million in 1956 to \$201 million today.

"Most of it came about in just 23 years, and the oil industry is the contributing factor," says Mr. Gaidry. "About 80-85% of our growth can be attributed to the oil industry."

The bank's balance sheet at the end of 1978 showed assets of \$201 million, deposits of \$173 million and shareholders' equity of \$16.5 million. Total bank loans increased from nearly \$111 million for the first half of 1978 to \$118 million at the end of the year. The new building, its officers believe, will make a significant contribution to that growth.

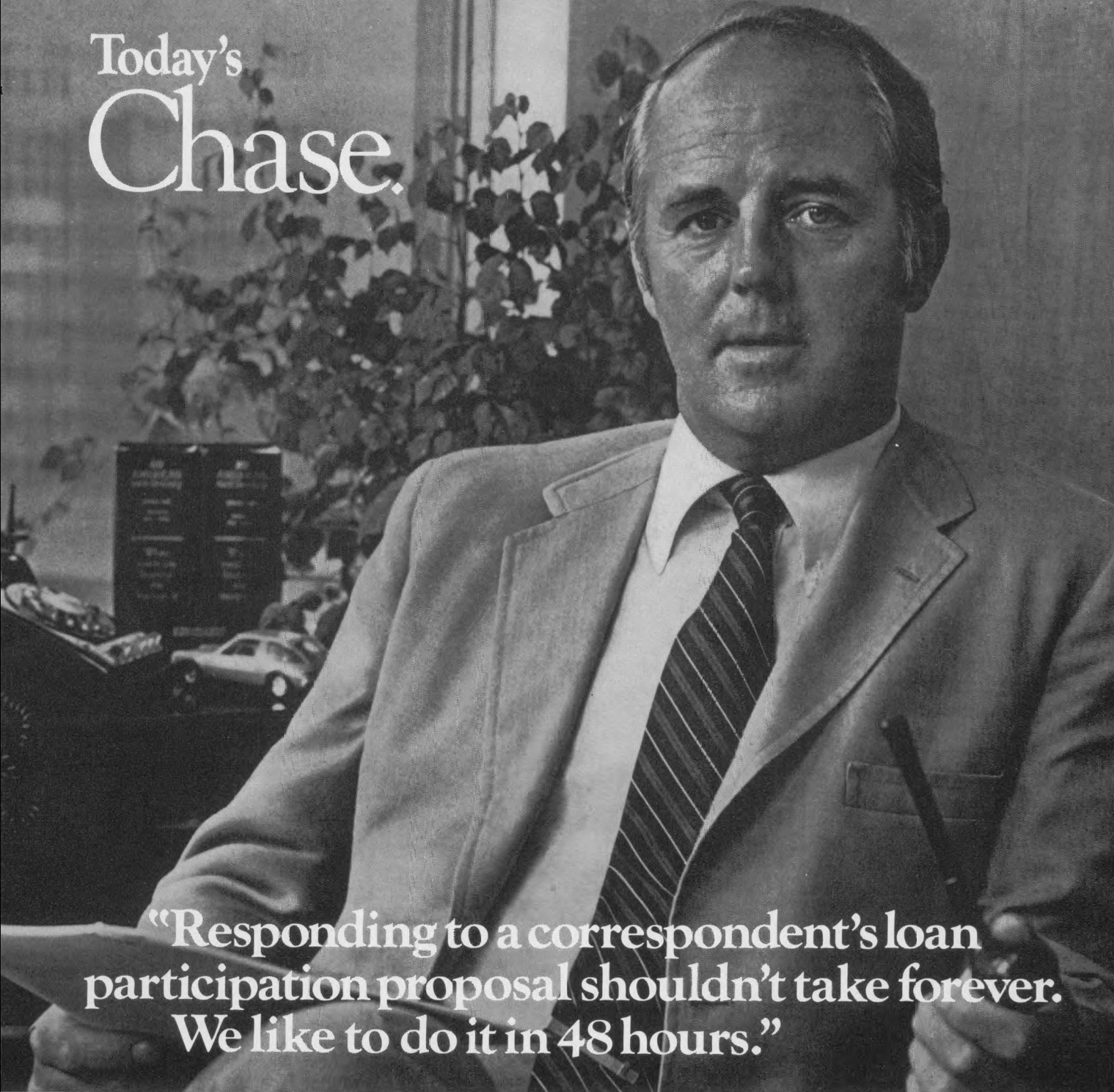
The Terrebonne Tower occupies most of the northeastern portion of the square bounded by East Main, Gabasse, Barrow and Belanger streets in the center of town. It was erected adjacent to the old bank building, which will be available for leased offices. The new structure is the final phase of a development that began with the bank's drive-up facility and 425-car parking garage on the site. An enclosed overhead walkway connects the parking garage to the new building's second floor. The tower sits behind a two-tiered triangular block. The bank will occupy this portion and also a considerable amount of tower space. Three floors will be available for other offices. The building has about 100,000 square feet of space. Bank Building Corp., St. Louis, was the consultant and project manager, and John Suedel, an associate of Bank Building, was the project architect.

A community center, a meeting facility with a seating capacity of 220 persons, is among the tower's special features and will be available for public use.

Mr. Gaidry says the new TBT Tower marks the end of five years of planning and the beginning of a new economic era for downtown Houma. As he puts it, "We feel as though we have done our homework for 25 years or so, but . . . there is a tremendous amount of work yet to be done in the oil industry, and if what the industry people say is true, we are just getting ready to take off."

"Terrebonne Bank is ready." ●●

# Today's Chase.



**“Responding to a correspondent’s loan participation proposal shouldn’t take forever. We like to do it in 48 hours.”**

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Wayne G. Hansen, Senior Vice President/Group Executive, Correspondent Banking

Must it always take a week or more to come to a prudent decision on your loan participation? Wayne Hansen doesn't think so. As the senior officer responsible for Chase's correspondent banking business, he knows that having the right people makes the difference. Your Chase Relationship Manager is a good example. He or she knows what it takes to quickly structure a credit that's right for your customer, right for your bank and right for Chase.

That's why Today's Chase doesn't keep you in the dark about our reaction to your participation proposal. In fact, after you give us all the details, we'll get back to you within 48 hours—guaranteed.

Chances are we'll have a "yes" or "no" for you. But if your participation happens to require a little more research, you'll know about it *right away*—not a week or two later.

**Nobody responds faster.**

If you're in need of a fast response on a loan participation, it would be wise to first talk to your Chase correspondent banking Relationship Manager. Especially if you have an important customer who needed his money yesterday.

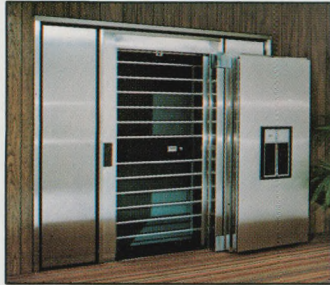


**CHASE**

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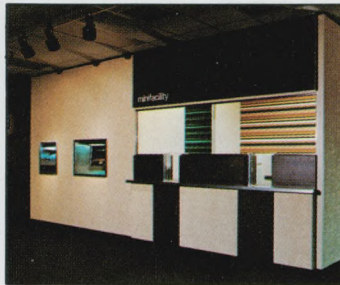
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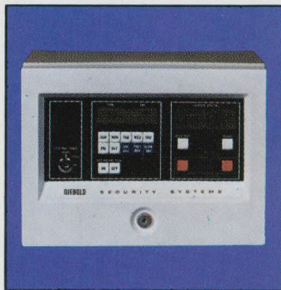


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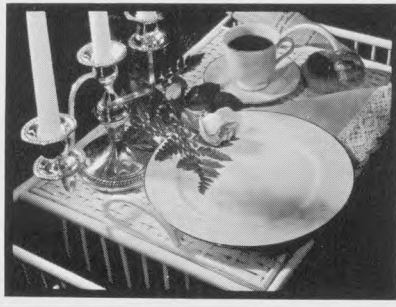
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BG/4

# Not Everyone Can Sell But Everyone Can Prospect

By **ORVILLE GOERGER**, Contributing Editor

**WOULD YOU** like your next employee-sales campaign to bring in more new business? Then don't overlook a big, uncultivated sales potential in your bank. Tap this and you may be pleasantly surprised at what develops.

Let's face it. Most bank sales campaigns involve a relatively small percentage of the staff, but that's not surprising. The majority of employees are more banker than salesperson. The minority who do like to sell do most of the job in every campaign. They're the ones who bring in the new business and they win most of the awards.

But what about the others? From them you get little new business. For them there are few, if any, awards. It's not because they don't like to win prizes; it's because they just can't bring themselves to try something for which they have little aptitude and even less liking. No wonder they don't score!

Yet it is these people — the usual nonproducers — who might be the key to increased sales in your next campaign. The trick is to adjust to their limitations and give them a job they *can* do — a job that also gives them a chance at the awards.

Here's the magic word that makes this possible — *prospecting!* Trained salesmen live by qualified prospects. Prospects make the job easier, sales more certain. Given a good prospect, even an average salesperson does a respectable amount of business.

Best of all, even the shyest, least sales-minded bank employee can be taught to recognize a prospect. With a sales incentive, he may even get enthusiastic enough to turn in prospects because he knows he won't have to make the sale himself. In other words, virtually everyone in the bank could make some contribution to new business procurement.

There is one more requirement. Getting prospects is only halfway to a sale. Who carries the ball

the rest of the way? Logically, these should be employees of your bank who are (or should be) the best sales people — your new accounts department. Put good leads in their hands and they will sell services to prospects that a less sales-minded staff member would never approach.

New accounts people are best suited for this chore because they know bank services intimately. They can answer any question a prospect might ask. They are skilled in cross-selling and can expand an initial prospect-contact into a multi-service transaction. Most important, they are trained in meeting



people and should be the bank's best public relations ambassadors.

New accounts people, of course, also have regular duties to perform and may be swamped if there is a deluge of prospects. So some temporary follow-up assistance should be available if needed during the campaign. Fortunately, such help is available from those staff members who *do* like to sell — the people who usually do most of the selling in your campaigns. Next to your new accounts people, they are the most qualified in your bank to follow up prospect leads.

To make all this work efficiently, your campaign needs a "sales manager." Because of his training and experience, the head of your new accounts department is best suited.

As in any sales campaign, he should plan the entire operation, organize the troops, create campaign literature, arrange training sessions, coordinate handling of prospects, supervise follow-ups and distribute awards.

Obviously, this is a big assignment. Be sure to provide him with enough willing hands to get the job done. Because he is the quarterback of the operation, he is responsible for results.

*(Continued on page BG/20)*

# Everything You Ever Wanted to Know About Running An Incentive Campaign

*(But didn't know who to ask!)*

---

**E**MPLOYEE-incentive programs can improve productivity and service and even cut operating costs, as a growing number of bankers are discovering. But "successful incentive programs do not just happen. They are created," according to the Bulova Watch Co.

To aid bankers and industrialists in planning an incentive program — motivating employees through merchandise awards for outstanding performance — Bulova has prepared a brief, though well-detailed, guide called "Everything you ever wanted to know about running an incentive program . . . but didn't know who (sic) to ask."

Although written for a wide business audience, bankers — both experienced in and novices to employee-incentive programs — will find the report's suggestions interesting food for thought. And for increasing profits.

Incentive programs, most frequently associated with industry plans to increase sales volume, can take numerous forms and can address a variety of objectives, such as increasing total production without incurring additional overtime costs, reducing employee absenteeism and tardiness or even cutting check-processing time. Goals, in fact, are limited only by management's foresight and imagination.

"Think of the information, guidelines and checklists as a kind of road map — to help familiarize you with the territory, show you how to get from one point to the next and how to reach your ultimate destination with safety and economy," Bulova writes in the forward of the 51-page report. "But remember, there is individual flexibility within the map and the specific route you choose will be determined by your own personal needs and budget."

The planning guide, however, is more than a road map identifying all the stops; it even red flags potential potholes. Like a good map, this one starts at the beginning: What is an incentive program?

Simply, a program is a plan of action to reach

specific goals. "Incentive programs are based on two widely known and accepted psychological facts," notes the report, prepared with assistance from several premium industry publishers. "First, that increased motivation improves performance and, second, that public recognition is a major key to motivation.

"Incentives motivate a person — or a group — by offering awards to be earned for the achievement, through extra effort, of specified, predetermined objectives." Merchandise awards are, in effect, the carrot rewarding improved employee performance.

Perhaps the two most important factors in determining the program's objectives are that the goals be clearly communicated to participating employees and that they be attainable — "every participant should have a good chance of winning something, otherwise they won't even try."

Once determined, this "specific, measurable, stated objective becomes the participant's 'performance level' — the fundamental element on which incentive plans are designed, developed and structured." If a bank's objective is to increase small-business loan volume 10% during the first quarter, for example, the performance level of a business development officer responsible for \$100,000 in borrowings would be an additional \$10,000. Surpassing the performance level entitles the participant to even greater reward opportunities.

The budget, the next step, depends on the value the bank places on the program's results, number of participants and length of the program. The largest budget item is prize awards; "Remember — the award constitutes the incentive." Promotion and administration, depending on program complexity, account for 10%, but never more than 30% of the total budget.

"Incentive plans," the report continues, "cannot be developed independently of incentive budgets. Fact: The world's greatest incentive plan cannot be

successful if the budget does not provide for adequate awards." A pen and pencil set for six months' perfect attendance, for example, isn't likely to encourage employee participation.

Bulova recommends two budget guidelines. One considers participant-income levels, the other potential sales increases or cost savings. Under the salary formula, the total budget equals 3% to 8% of sales personnel income or 1% to 7% of in-house personnel income. When the second guideline is used, the report says, the program budget should equal 1% to 7% of increased sales volume or up to 50% of cost savings on in-house efficiency programs.

In any case, Bulova emphasizes, the budget should be large enough to provide awards equal in value to the value the bank places on the improved performance. If increased trust activity is valued at \$200, the award should be worth at least that figure.



The budget in incentive programs is spent only as performance-level objectives are reached and will exceed budget only if all participants exceed assigned performance levels, an occurrence most businessmen would happily accept.

Further, tight budgets can be stretched by charging expenses to related departments, such as advertising and training. In some cases, the report notes, vendors who would benefit from increased sales can be induced to pick up part of the program cost.

One problem remains: rewarding the participant who achieves performance level. Most incentive program planners adopt an award credit system under which each step toward performance level is rewarded. Here's how it works: Performance level is stated as two new accounts, \$1,000 additional sales per account and 15 additional units sold. Each new account might earn the salesman 500 award

credits; each \$1,000 additional sales equals 350, and each additional unit sold earns 100. Thus, each step toward reaching the goal is positively reinforced, and the participant can see his own progress.

Award credits are documents that are exchanged for merchandise, travel or some other tangible prize.

Bulova forcefully argues against cash awards for performance-level achievement. "Cash 'costs more,' requiring the sponsor's full outlay of cash value rather than less costly merchandise. Cash gets absorbed into regular wages, and, after it is spent, cash leaves nothing tangible specifically identifiable as to the purpose, reason and source of origin — your company." With merchandise, on the other hand, "Recipients get greater dollar value than (with) cash outlay by program sponsor, because the sponsor generally can purchase awards at far below the published retail price." Moreover, the report observes, "Merchandise constitutes a permanent reminder of the program, its objectives and the source of the gift — your company."

All these considerations — objectives, goals, budget, prizes — precede the program itself. Bulova, in fact, lists 22 separate program activities, and 13 occur before the program even kicks-off.

"Successful incentive programs do not just happen. They are created," the company says. "The date for activity No. 1 (establish program objectives) should be at least 13 weeks prior to the kickoff."

Ideally, a luncheon or banquet at which top management explains the program and objectives should launch the campaign. That should be followed, the report advises, by constant program promotion. "Action-impelling promotion is the basic foundation of any successful incentive program."

Most important promotion element: the theme, which "must be exciting, rememberable, catchy, easy to use in print." In addition, Bulova says, the theme should be self-explanatory, indicate the objectives, promise a benefit, imply a sense of urgency and tie in with type of awards being offered.

Program promotion should use "every device your budget will allow. Consider home mailers — on a scheduled basis — addressed to Mr. and Mrs. (where applicable), in-plant posters and bulletins, dashboard stickers, novelty gift items, special editorials or feature articles in company newspapers.

"Every effort should be made to get maximum family involvement and interest in the program. This gives the participant an additional inducement to be a winner. Whenever possible, offer 'his and her' prizes, something for the children."

Periodic announcements of interim standings or award credit earnings "motivate additional effort on the part of those who are near, but not at the top of, the group of potential winners."

*(Continued on page BG/33)*

# CHRISTMAS SPECIAL

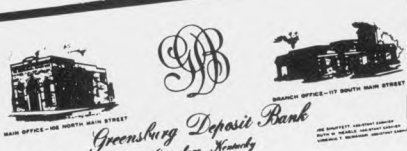
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July 23, 1976

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


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 we received as it greatly exceeded our expectations. As you recall, we had to increase the daily hours each day and we used three 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.

The pictures were of excellent quality and everyone was highly complimentary.

Sincerely yours,  
*Michael C. Frederick*  
Michael C. Frederick  
Branch Manager



January 11, 1977


Bel Air Studio & Publishers  
2606 Dixie Highway  
Louisville, Kentucky 40216

Gentlemen:

This is to let you know how very pleased we were with your pictures. Although we did not use the program to gain new customers, we feel very confident that the good will created by "our" give-away was well worth the effort involved. A good many of our customers have expressed their personal regards for the program.

Even though we were a bit skeptical at first, our employees were all delighted with the pictures. They were all done in a quality manner and we had few complaints from any of the participants. We would be very interested in having this promotion again sometime in the future.

Sincerely,  
*Roger Powell*  
Roger Powell  
President



January 21, 1976

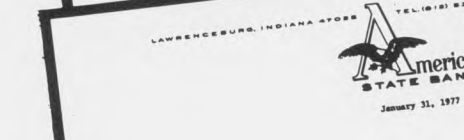
Mr. Fred Payne  
Bel-Air Studios & Publishers, Inc.  
2606 Dixie Highway  
Louisville, Ky. 40216

Dear Fred,

Just a line to thank you for all your cooperation and effort in our recent "Tree Portrait" promotion. We were overwhelmed with the response it received. Having recently opened a new branch location this "Tree Portrait" promotion fitted our situation very well. We got a lot of traffic through our new facility not just once when the photograph was taken, but also, a second time when the proofs were viewed.

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, Corydon State Bank



January 31, 1977

Mr. William C. Lacy  
Bel-Air Studios & Publishers  
2606 Dixie Highway  
Louisville, Kentucky 40216


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.

Yours very truly,  
*W. A. McCullough*  
W. A. McCullough  
E.V.P. & Cashier



January 26, 1977


Mr. George Payne  
Bel-Air Studios & Publishers Inc.  
2606 Dixie Highway  
Louisville, Kentucky 40216

Dear George:

Commerce Union Bank of Rutherford County and its' customers appreciate the opportunity to take advantage of the Bel-Air Studios complimentary photograph offer.

We feel that the service provided us was courteous and prompt. The quality of the photographs was excellent. We would be pleased to participate in this program again in the future due to its positive results.

Respectfully yours,  
*Michael W. Cook*  
Michael W. Cook  
Banking Officer



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,  
*Mayme Melitt*  
Mayme Melitt  
Vice President

THE BEL-AIR COMPANY  
2606 Dixie Highway  
Louisville, Kentucky 40216

- Please contact me, I'd like to discuss a portrait program.
- Please send me additional information on your program.

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# Popcorn Diplomacy Creates Goodwill; Helps Nonprofit Groups Raise Cash

**T**HINGS ARE really poppin' at banks and savings and loan associations from Newton, Kan., to Carrollton, Ga., and in Kankakee, Ill., and Mason City, Ia., where the financial institution has made good public relations use of a popcorn wagon.

First Federal S&L, Newton, Kan., uses its wagon in a variety of ways. Free popcorn is given to customers on Friday afternoons in the S&L's lobby, at county fairs and at parades.

According to Marjean Davison, vice president of marketing, "Most people seem surprised to be getting free popcorn. They usually approach the wagon with coins in hand expecting to pay for it."

She estimates that First Federal has given about

12,000 bags of popcorn away during the year that it has had the wagon.

During the first nine months that Peach State Federal S&L, Carrollton, Ga., had its wagon, it gave away 30,000 boxes of popcorn.

Peach State uses its wagon as an attention-getter to attract new customers to save there. Also, to retain current customers by making their S&L visit more enjoyable, according to J. Wayne Garner, vice president, chief savings officer.

Meadowview Bank, Kankakee, Ill., won a second place trophy in a parade for its popcorn wagon entry. In addition to using the wagon in parades, the bank has used it to give away free popcorn to lobby customers on Saturdays and several other busy days during the two years it has had the wagon.

Initially, the wagon was used at the bank's open house in May, 1977, which celebrated the completion of a new addition. Also, it was displayed this past summer when the bank opened its new facility.

The wagon is usually accompanied by the bank's walking trademark, a "wide awake owl" named Whoodini.

The popcorn wagon belonging to United Home Bank & Trust, Mason City, Ia., has a busy schedule when not "on duty" at the bank. In a week's time the wagon can be seen at a hardware store special promotion, at two cub scout events, and at an Easter Seals bingo game. Usually on Friday nights, it's back at the bank popping corn for lobby customers.

Nonprofit groups use the wagon to make money. If they sell popcorn for 25¢ per bag, they can make about 22¢ profit per bag.

William Killpack, the bank's executive vice president, says that "it's an interesting program. Our bank even delivers the popcorn wagon to nonprofit groups in our pickup."

Mr. Killpack said although the bank provides the popper free, it sells the popcorn and oil to the group at its cost.

The bank bought the wagon for the grand opening of a new office last October. ●●



Customers at Peach State Federal S&L enjoy fresh-popped popcorn from its machine.

# Bankers Should Communicate BETTER With Employees!

**Priorities: information on new services,  
fringe benefits . . . customer responses**

By David N. Bateman\*

**I**N THE HYPOTHETICAL city of Fairview, there was a bank that provided many valuable services to its customers, supported worthwhile activities in the community and granted excellent fringe benefits to its employees. From the perspective of the bank's management, they ran an effective and efficient institution.

Periodically, top executives and directors of the bank received reports and attended meetings that informed them of the fine job the institution was doing. The bank appeared to be progressive, concerned and communicative.

But, when the employees were queried, it was discovered that they knew little about the bank's basic services, had a negligible comprehension about activities provided others, and they knew almost nothing about programs sponsored in the community.

Further, the employees were functionally illiterate when it came to understanding their fringe benefits. Not understanding the fringes, the employees did not fully appreciate them.

A hypothetical organization . . . ?

Informally survey employees at your bank or briefly study the information sent to them. Unless management has consciously taken the time and effort to meaningfully relate messages on germane topics, it may be surprising what employees do not know about their employer.

*Why Are Employees Uninformed?* Employees generally are uninformed about their place of employment for two basic reasons:

1. The organization has not communicated to them, or
2. The organization has communicated the wrong information.

In either case, the employee is left in an uncomfortable situation.

Obviously, the banking industry, as a whole, wants to communicate. We hear ads about the "shirt-sleeve feeling," having our own "personal banker," and we hear many statements about the efficient services available for cus-

\* Mr. Bateman is an associate professor and director, division of applied business and organizational communications, Southern Illinois University, Carbondale. Also, he is a consultant to industry.

tomers. But what about the employees — have they received even a fraction of the communication attention that outsiders have received?

Top management often is interested in employee communications. But there is evidence that managers often substantially misread the audience. Sometimes management does not understand the information needs and, therefore, enunciates the wrong kinds of messages.

What do you think employees want to know about your bank?

Take a moment and perhaps construct your own list of what you think a bank should be communicating.

*Birthdays, anniversaries and pabulum.* For years, most organizations that have been interested in the idea of communication have stuck judiciously to noncontroversial topics like reporting birthdays, indicating marriages, noting various anniversaries, promoting savings bonds programs and community charitable campaigns. These were generally "safe" topics unless someone's birthday was omitted.

These data have been the standard fare for so many organizations' communications programs that institutions just assume these topics are what employees really want to know.

It is incorrect to indicate that employees are not interested in one another; some employees will be interested in various kinds of personal data that can be reported in little bulletin board announcements and newsletters.

However, a steady diet of this pabulum is boring to most people. One certainly has to stretch to see any "organization message" in these reports.

As a whole, employees have a substantial interest in their organization. Most of the time, they want to know more about it, how it is progressing and what it is doing to keep ahead of the competition.

Topics that interest employees

(Continued on page BG/12)



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can be placed in five broad categories: the business of the organization, the institution's service, fringe benefits, organization progress and people contributions.

*The Business of the Organization.* Business activities are important to employees. As you review these categories of important topics, it should be noted that more than just external employee interests are being revealed. There is a strong indication that they are concerned about their job security, advancement and economic well-being. Almost all employees are interested in such topics. However,

are these topics consistently and repetitiously presented to workers at your institution?

In other words, employees are interested in the business of the organization and are interested in how that business affects their personal job security.

*Fringe Benefits.* It is not unusual for a bank to add about 30% to direct wage costs by providing various kinds of fringe benefits. Many institutions spend thousands of dollars to purchase these items for employees. However, employees often are unsure of what fringes they have, how they are to be

used and sometimes are even unclear as to who provides them.

Having committed the funds to purchase the fringes, the organization should not drop the ball and forget to inform employees about these benefits. And information about fringes must go considerably beyond the staid and unreadable booklet that most employers give to new employees that explains "fringe benefits."

*Organization Progress.* Don't we all really like to be associated with a winner? Employees do, too! They want to take pride in their work and in their employers' product or service. Women and men working in the bank like to say, "My bank is instituting the \_\_\_\_\_," "My bank has a new \_\_\_\_\_," "The bank where I work just announced \_\_\_\_\_."

People like to report their organization's progress to family and friends. But is the institution providing the information to permit the employee to fill in the blanks and complete the sentences?

Employers need to make sure their employees are informed about the many activities of the institution; this permits the employee to build pride in the organization and begin to feel part of a winning operation.

*People Contributions.* Everyone has birthdays, service anniversaries with the institution and other kinds of "special" days. It may be okay to report this kind of information. Obviously, there is no "organization message" in these records.

Employees are interested in their organization's people. The people should not be ignored, but what should be reported? Perhaps birthdays, anniversaries, vacations and marriages are not enough.

Employees report they are interested in the contributions and accomplishments of their fellow workers. These accomplishments may relate to suggestions for the bank, various contributions colleagues are making beyond work, such as recognition by service and professional clubs, a meritorious award or a special honor received by an employee.

If an institution emphasizes the broad topic area of its business, its fringes, its progress and its people, it not only will be serving the information needs of employees, but the institution also will be promoting itself before its most interested and most important audience — its employees.

Numerous studies conducted by the Division of Applied Business and Organizational Communications during the 1970s consistently reveal the following rankings of specific subjects

**NOW! A DEPOSIT-BUILDING PROGRAM THAT'S**

**ALL NEW... Exclusive, TOO!**

**The Only Multi-Function LCD Alarm Chronograph Watches With TRUE SOLAR CELL and DELIVERED ON TIME!**

A superbly crafted time piece with quartz crystal that guarantees split-second accuracy of  $\pm 5$  seconds per month; the only watch with true solar cell and a Solar Rechargeable battery guaranteed by Mallory for three full years! Instantly tells hour, minute, second . . . month, day, date . . . has pre-set 24-hour alarm with snooze alarm and seven minute personal reminder repeat . . . multi-function chronograph system gives not only stop watch mode add time, but split time, lap time and twin time as well.

Our predecessor to this watch was so desirable, over 80,000 were sold in three months. And every one was **DELIVERED ON TIME!** In chrome or gold plate on forged hand-finished brass case with stainless steel back and band. Individually gift boxed. Priced to you at practically 50% off retail.

GEORGE W. LAMPING, President

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- Solar battery recharged automatically; guaranteed 3 years by Mallory
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- Electronic calendar; 24-hour pre-set alarm
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**ALSO AVAILABLE**

**MATCHING men's and women's full function LCD Watches with stop watch mode, true solar cell and solar rechargeable 3-year battery guaranteed by Mallory.**



**don't miss the train!**

**get on the right track for your next promotion!**

OUR Bachmann HO electric train set is on its way. When you come aboard the Bachmann express, you are on the right track to develop *new and existing savings accounts*. Average deposit produced by this train program has been \$1,800; with most of it in *regular passbook savings!*

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Words change or  
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Now even the smaller financial institutions can afford a message center display for advertising or public service. Daktronics Venus 500 has 32 columns of lamps with seven 15-watt bulbs per column for displaying 18" high characters. Flash on as many as 16 words of five letters, or less, plus time and temperature or run a traveling message of up to 16 words of up to 16 characters each. (The word "Congratulations" is shown traveling in the photo.) Plus time and temperature

Messages are programmed from a desktop keyboard console that lets you see the message on the screen before it appears at the message center.

At far less investment than our standard 10-character display.



Write for literature and prices—  
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Box 229-L Brookings, SD 57006  
Telephone 605/692-6145

that employees report they want to know from their employer:

1. New or improved organization service.
2. Fringe benefits.
3. How services are being accepted.
4. Organization's services.
5. Features on other departments/locations.
6. How organization's services are used.
7. Organization's business activity.
8. Stand on union issues (if unionized).
9. The organization's competition.
10. Work environment.
11. Corporate news (of parent company).
12. Employee recreation news.
13. News about retirees.
14. Information on free enterprise.
15. Employee hobbies.
16. Executive promotions.
17. Cartoons and jokes.
18. Recipes and cooking hints.
19. U. S. savings bonds programs.
20. United Way campaign.

For the most part, there is not a substantial difference between what professional and operative personnel report are important topics. As a general rule, the older the employee, the greater the interest in business data and fringe benefits. Retired male employees have the greatest interest in recipes and cooking hints. Cartoons — the executives and professionals seem to like them best!

Communicating with employees is not a luxury. Today it is an important necessity of good business. But just

any communication is not enough. The employer has the responsibility to make sure the right topics are being presented.

*Taking the Mystery Out of Employee Communications.* As illustrated in the hypothetical story at the beginning of this article, it is incorrect for bank directors and managements to assume that what "they know" and what "they discuss" are automatically known and understood by other personnel.

In reviewing subjects employees want to know about, it must be noted that the topics do not get into matters of confidence and privacy. There is nothing secret about fringes, new customer services and employee accomplishments.

Communication sometimes is called a complex phenomenon. But there are a few basic and simple elements when it comes to effective employee communications:

*First*, the employee audience has to be understood.

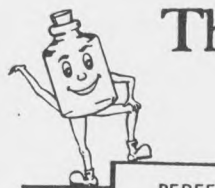
*Second*, the right messages have to be conceived.

*Third*, the message has to be transmitted to employees.

Communication is not always so mysterious. In the organization, it just often happens that managements have a tendency to get involved in pressing day-to-day matters and start to assume that "everybody" automatically knows what is going on.

Management has to take the effort and time to keep employees informed about a vital concern to most employees — *their bank*. ●●

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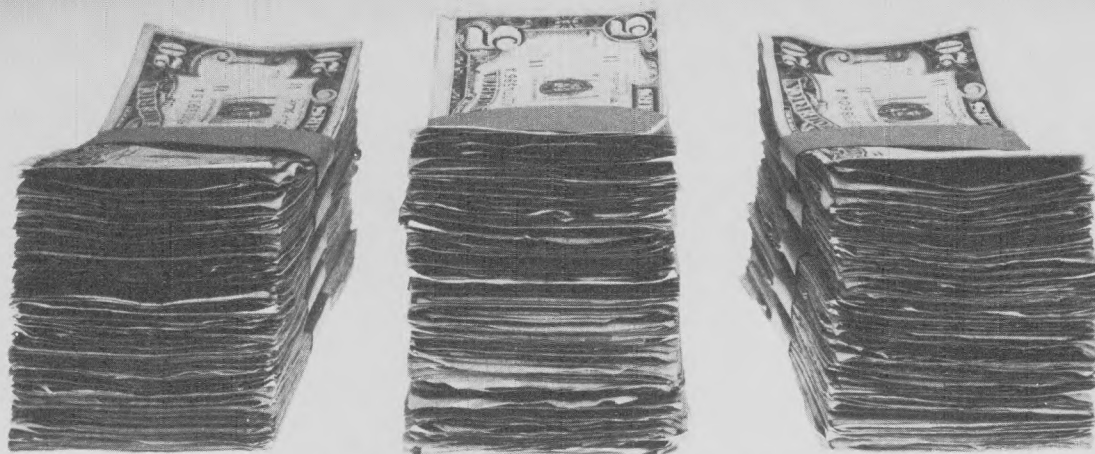
IN THE PAST SIX YEARS OVER TWO MILLION OF THESE LITTLE  
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FOR FURTHER INFORMATION AND SAMPLES WRITE:

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# Give us your tired, your poor, your crumpled masses.



## Docutel's new Total Teller 2300 dispenses individual bills—used, new or mixed—in two denominations.

Any ATM welcomes new currency in perfect condition with open arms. But the fact is, the quality of currency is deteriorating, and an ATM has to have a high tolerance to keep functioning.

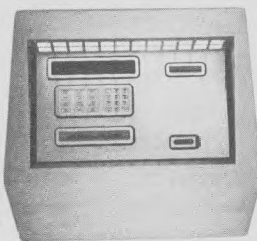
That's why we've made extensive improvements in the currency dispenser in our TT 2300. In fact, it's a fifth generation dispenser, the product of extensive testing and development.

**No adjustments needed.** Load the TT 2300 with used, new or mixed bills and let it go to work. No sorting, no adjustments, no special settings are needed. Bills that are simply too poor in quality are diverted to an enclosed area.

People from financial institutions throughout the country have seen this bill dispenser in action. They will attest to its incredible ability to pick, unfold, separate and reliably dispense currency that's in far from perfect condition.

**Large balanced capacities.** The high speed dispenser can accommodate up to 2,200 bills in each of two denominations. And these capacities are balanced so that you won't run out of money before you run out of customer and audit printer receipts. In other words, restocking this ATM is an **all at once** operation.

**Other noteworthy features of the TT 2300:** A highly reliable alphanumeric receipt printer which has been proven in our extremely successful Scandinavian installations; an improved card handler featuring read, write, and card capture



capabilities; a touch-sensitive keyboard which can be easily modified to change the types of transactions offered.

And there's more. The TT 2300 has stand alone, off-line fallback to keep it functioning even if there's a failure anywhere in the on-line network. That's a basic principle we developed with our earlier ATM's. We've stayed with it because of its proven reliability.

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We were the pioneer of the ATM market, and now we're the first to make major advances in ATM reliability. Every component in the all new TT 2300 is designed to give your customers more availability for your dollar. It's a state-of-the-art ATM built to withstand today's and tomorrow's high transaction volumes.

It also comes in a retrofit unit called the TT 2300R that fits Total Teller 300 installations. That's just another example of how we're thinking ahead.

**Call Bill Moody at (214) 438-1818.** He'll tell you more about the new TT 2300 and arrange for you to see it for yourself. You'll discover a whole new world of ATM reliability. Docutel Corporation/P. O. Box 222306/Dallas, Texas 75222/TWX 910-860-5928/(214) 438-1818

 **DOCUTEL**  
*reliability through experience*

# Banks "Zero In" on Newcomers With Aid of City Maps

## *Helping the New Resident Often "Pays Off"*

**N**EWCOMERS to a city are potential new customers and a number of banks distribute current, detailed city maps to help new residents familiarize themselves with their new hometown — and with the bank's location or locations.

"It is incumbent on us to try and bring newcomers to our bank at the earliest possible time," says Alex G. MacFadyen Jr., vice president, First-Citizens Bank, Raleigh, N. C. "A current city map, we have found, is a valuable tool to anyone new to the area. And in using the map, they can't help but see our locations."

Executives at National Bank of Commerce, Jackson, Tenn., and First National, Little Rock, Tenn., agree that city maps are effective marketing tools.

"From various sources we can obtain names of newcomers moving to the area, and we will attempt to correspond with them offering them the services of our bank and include appropriate bank information brochures as well as a city map that clearly denotes each of our offices," Mr. MacFadyen explains.

However, First-Citizens Bank, a statewide bank with 227 offices, restricts city-map use to areas with the largest concentration of offices, such as Raleigh, Fayetteville-Fort Bragg, Camp Lejeune-Jacksonville, Charlotte and Craven County.

The Raleigh city map, prepared and supplied by Champion Map Corp., Charlotte, N. C., shows the city and nearby suburbs and also pinpoints the bank's 19 area locations. The map, 25 inches square, includes a street index.

"In the case of military installations" Mr. MacFadyen says, "we make large quantities of maps available to the base housing officer as well as military personnel involved with familiarizing the area to those individuals transferring to the base. In the Fort Bragg-Fayetteville and Camp Lejeune-Jacksonville markets, we distribute approximately 20,000 maps a year."

First-Citizens Bank also supplies the map to local chambers of commerce and companies transferring personnel.

"While it is difficult to attribute any business directly to the maps, we are certainly aware that they are widely used and are rather visible in the markets where we use them," he says. "We can't help but believe they are an important ingredient in developing new business."



Raleigh city map shows city and nearby suburbs and pinpoints location of First Citizens and its 19 area locations. National Bank of Commerce, Jackson, Tenn., uses detailed city map and booklet entitled "Jackson, Center of the Golden Circle" in its newcomer program. Maps were prepared by Champion Map Corp., Raleigh, N. C.

Rapid subdivision development and two recent annexations make a current map essential in Jackson, Tenn., and National Bank of Commerce, reports marketing representative Sally Rainey, supplies up-to-date street maps with the bank's locations clearly identified.

"The size and clarity have something to do with the popularity of this particular map," she says. "The size (19 x 25 inches unfolded) is not too cumbersome to handle or to refold. Their clarity enables even the most inexperienced map readers to use our map successfully."

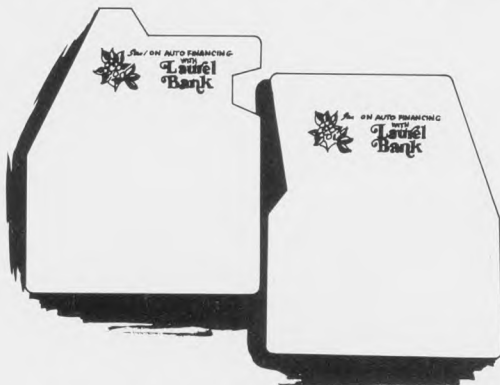
NBC places "strong emphasis on our newcomer  
(Continued on page BG/33)



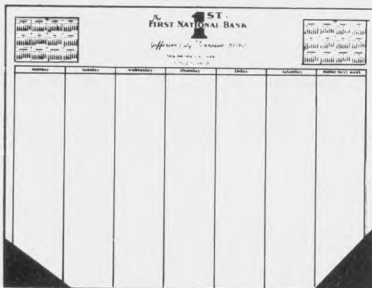
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BG/17

# 'Mini-Letters': Effective Mailing Tool

**S**TATEMENT STUFFERS have long been popular with banks. However, with postage constantly going up, banks want to make sure that anything they include with their statements doesn't increase the cost of those mailings and also is useful and/or interesting to bank customers. In other words, banks don't want their customers merely to glance at these statement stuffers and then toss them away.

One method many banks use to make effective use of their statement mailings is to include top-quality newsletters that also are small in format and fit easily into statement envelopes.

BankVertising Co., Champaign, Ill., has developed several "mini-bank letters," which are small enough (two to four pages) to be folded as inserts with bank mailings and contain tax- and money-saving ideas. Their objective is two-fold: 1. To promote and en-



**"The Farm Quarterly," "Money Manager" and "Estate Builder" are available in bulk from BankVertising, Champaign, Ill., to be mailed as statement stuffers. Content is aimed at money-savings-conscious agricultural or general consumers and offers tips on tax, money and estate planning.**

courage use of full-service banking. 2. To provide a useful and reliable source of up-to-date financial information for all types of bank customers.

For example, "The Farm Picture" and "The Farm Quarterly" are sent by banks in agricultural areas to their farm customers and feature agricultural tips, money- and tax-saving practices and bank services. "Money Manager" is intended for general customer consumption and concentrates on tax-saving concepts and helpful money-management ideas. "Estate Builder" is described as a low-cost marketing tool for banks with trust departments and explores numerous advantages of tax shelters and sound estate planning.

A typical mini-letter focused on "Haves and Have Nots for Energy Credits" and dealt with the 1978 Energy Tax Act and IRS Form 5695. The article outlined eight deductions

*(Continued on page BG/20)*

# Snuggle UP with a friend!



## Attract new savings deposits with Faribo's incentive program.



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Purveyors of  
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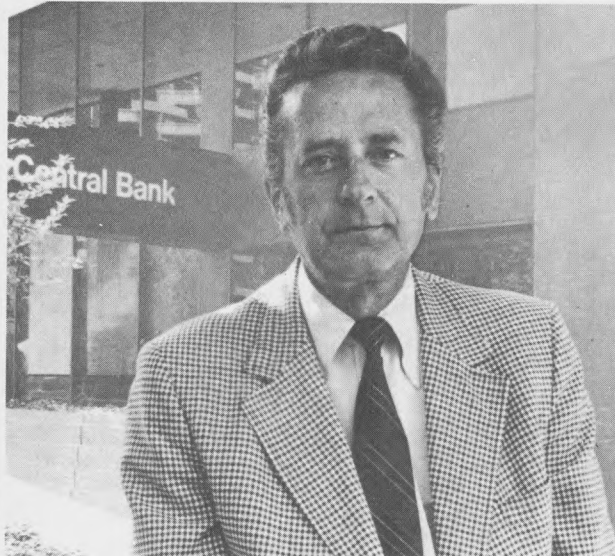
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Federal Savings and Loan, Daytona Beach, Florida

**“With Travelers Express money orders we  
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**“We like the simplified reporting system  
and other backroom economies!”** John R. Bryan,  
Vice President, Correspondent Banking Department, The Mississippi Bank, Jackson, MS

More and more financial institutions are turning to Travelers Express for money orders. Because much of our business involves transferring money electronically, millions of times a year, we have become extremely efficient at it. Easy-to-use forms and simplified reporting are also part of our story. We handle all the “backroom” operations. And, we do it less expensively than you can do it yourself.

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You select topics from Tel-Money's library, audit each, and revise if necessary. Tapes on unique services or products can be custom-made.

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for those who claim energy credits.

With each edition, the bank is sent a preview copy of the letter's content, which, before a given deadline, can be changed or substituted with the bank's personalized editorial material. The letters are printed and sent in bulk to the bank, which then sends them to its customers, as the phone company does with its telephone-bill inserts.

The letters have other uses, too, says Fletcher E. Wells, senior vice president and cashier, St. Johns Bank, located in a St. Louis suburb. The bank sends them to business offices of its commercial accounts and puts them in the lobby as informational pieces for its personal-account customers. In the several years the bank has sponsored the "Estate Builder" and "Money Manager" mini-letters, they have "created a lot of interest among customers. Many have asked for back issues to give out," Mr. Wells says.

St. Johns Bank personalizes the inserts by allowing customers to contribute by-lined articles, subject to the bank's changes. "Their research often is as good as any the bank would do," according to Mr. Wells, "and this makes it easier for the bank and nice for the customers."

Newsletter information is timely, such as tax-savings help before April, home-improvement tips during spring and Christmas-gift ideas at the end of the year. All articles are subject to the bank's discretion before publication, and the bank can forego a monthly or quarterly publication any time it wants to. ••

## Not Everyone Can Sell

(Continued from page BG/5)

Is your new accounts head able to handle such a job? If not, he should be. So, if necessary, train him in any qualifications he lacks. This training will assure a vital lift to your sales campaign; it also will make him more valuable to the bank as head of your "sales department."

Here's a check list to help him get started on your sales campaign:

1. *Planning the Campaign.* Remember, the campaign is designed to give every bank employee an opportunity to participate and win prizes. Therefore, it must offer rewards for both sales and for prospects that lead to sales. Size of the awards and the award value per sale or per prospect are your choice.

As a suggestion, you might give one award-unit for a prospect that results in a sale, one award-unit for a sale from a prospect lead and two award-units when the employee does both the prospecting and the selling.

Giving award credit for prospects enables everyone in the bank to win a prize. By giving an award credit to those converting a prospect into a sale provides incentive for those doing the actual selling. A double award credit for prospecting and selling done by the same person encourages employees to do as much of their own selling as possible.

2. *Organizing Teams.* Campaigns usually are more productive when bank personnel are divided into teams. Balance each team, as much as possible, with a mix of those who probably only will turn in leads and those who, from past campaigns, can be counted on to sell.

Whenever feasible, give prospects that are turned in to a fellow team member for the sales follow-up. That makes it easier for team members to follow their entry from the initial lead to the final sale. This builds team spirit and — if a campaign award is to be given to the winning team — provides

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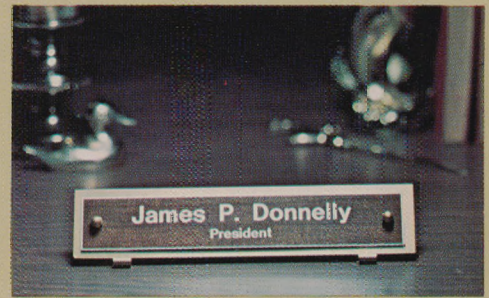
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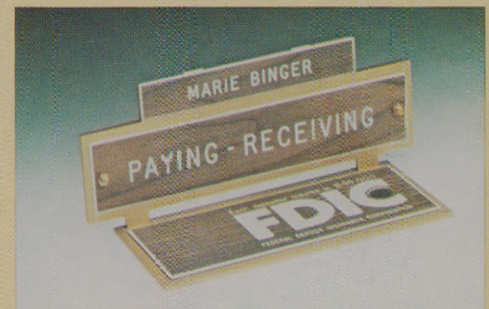
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 The shadow area around the name plate gives the effect that the plate floats suspended within the metal frame. This design is most adapted to extra cost option nameplates in the most modern styles. As illustrated, it equally well enhances the gothic engraving.  
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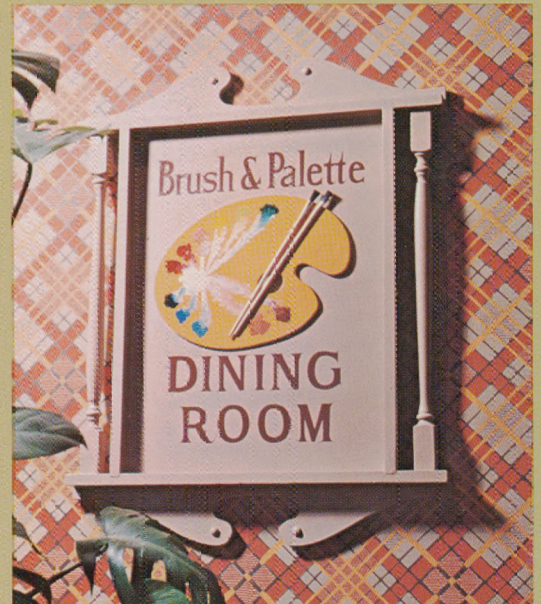
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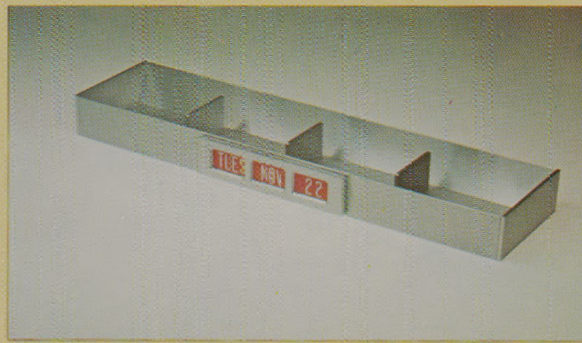


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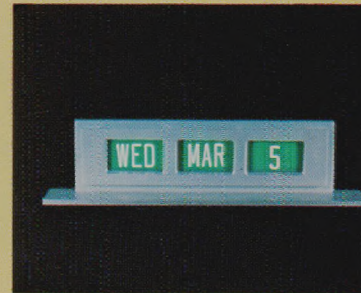
Slip Racks are made to order to accommodate your deposit or withdrawal slips. Prices are variable. Three Sections with calendar shown, single sided. Submit 1 sample for each section. **\$143.50**



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Complete with inserts highly visible with approx. 3/4" letters.

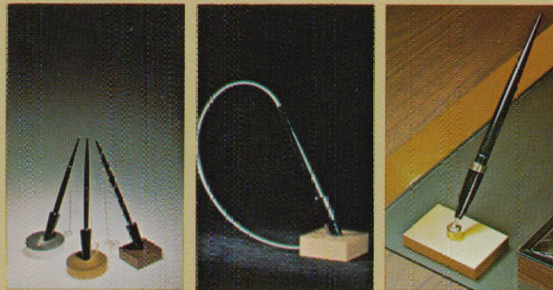
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- #133 SINGLE SIDED BASE STYLE (illustrated) **\$41.50**
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All functions that need display at a drive-in or walk-up window can be combined in one unit. Includes Name clip, hours, Federal Insurance plate, holiday designations and window closer.

Overall size approx. 9"x9".



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Pen sets feature one or two Ke pens for long life and good writing quality.

- Single **\$11.50**
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May also be had for free standing or for wall mounting. Inquire About 5" wide per section.



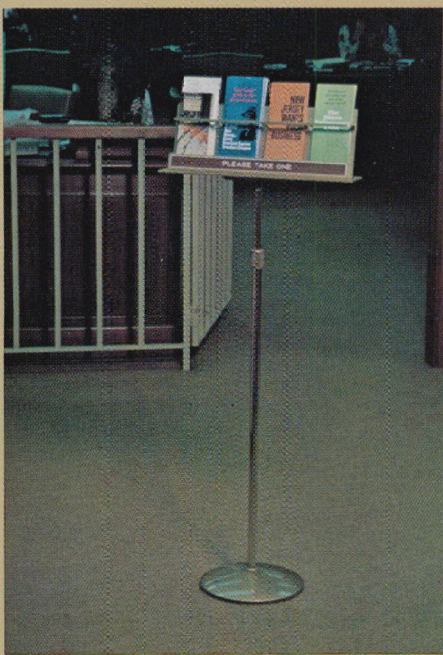
**#124 WINDOW CLOSER-DOUBLE SIDED **\$18.50****

Wherever the public is served at a window, or counter, this is the one indispensable sign. Copy can reflect your operation, Next Station Please, Window Closed, Closed, etc. We recommend one sign per position or window.

Overall size approx. 2 1/2"x7".



..... since 1930



Holiday Head \$72.50

Literature Head (4 Sections) \$40.00

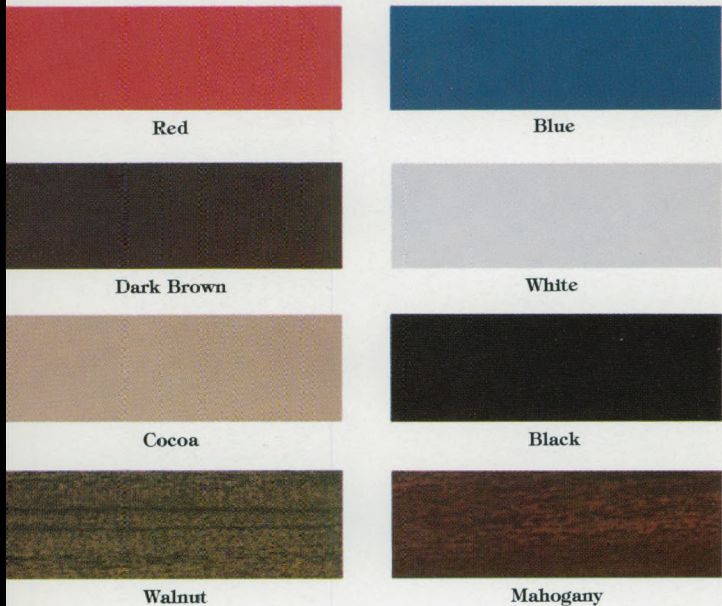
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Three interchangeable heads each fitting the same stand. Combine one or all on your order. Each piece priced separately.

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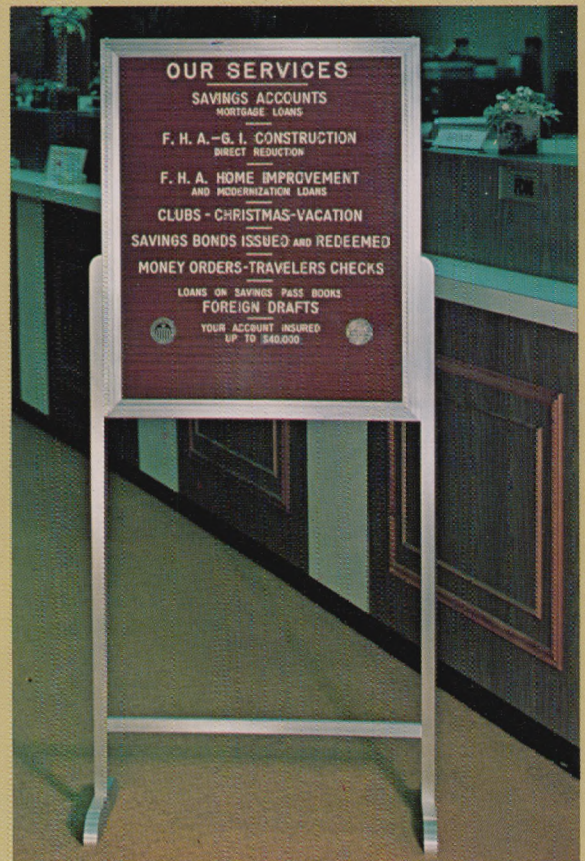
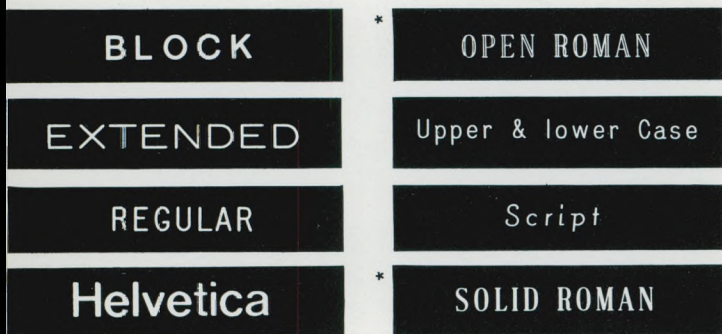
Base & Stem \$37.50  
adjustable 30-60 inches



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Accepts 22" x 28" cards or engraved message.  
**STAND ONLY \$125.00**  
Engraved Plates or Special Size Frames-Price on Request.

charge letter styles — call for pricing. All other letter styles are at no charge.

another incentive for 100% employee participation.

3. *Ordering Campaign Literature.* Communications are the life-blood of a sales campaign and one of the most important is campaign literature. This must intrigue employees, create a desire for the prizes and explain the rules. Also, it should stress that *everyone* in the bank can be a winner — even without personally making a sale.

Because a poor prospect is worse than no prospect at all, employees must be told clearly how to qualify prospects. You want prospects, not "suspects." So tell employees what makes a prospect a good one. A few examples are new arrivals in town, prospective buyers of a new car or home, persons planning home improvements, those on pension plans, someone starting a new business, anyone without a savings account, checking account or safe deposit box and even vacationers needing travelers checks.

Your literature should include a catalog of banking services. Few staff members are familiar with much of the bank beyond their department; it is almost impossible for them to prospect successfully if they have little idea what to prospect for. In addition to service descriptions, suggest the type of person most likely to need a particular service.

You will need forms for reporting sales and prospects. In addition to the name, address and phone number of the prospect, the prospect form should include reasons why the name submitted is a good prospect. If it's a good lead, the employee should have no trouble telling you why.

Also plan some type of newsletter to tell personnel how the campaign is going. They will want to know who is in the lead, case histories of successful selling and prospecting techniques discovered by employees and any other material to maintain enthusiasm.

4. *Arranging Training Sessions.* Don't merely send literature to the staff and expect its complete comprehension. Before a campaign starts, schedule training sessions with all bank personnel. Hammer home that, in this campaign, just turning in a good prospect can win award-units.

In addition, review the literature verbally. Make sure everyone understands it. Demonstrate successful selling techniques. Show how to find good prospects. Review features of bank services that will be pushed during the campaign. In other words, do what successful professional sales managers and their salesmen do before



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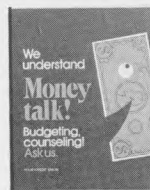


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# IBBC

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the start of any major selling push.

Remember, there are few "born" salesmen. But almost anyone can be taught to be at least a fair salesman — or prospect-seeker. Don't overlook this basic teaching step in your campaign preparation.

5. *Coordinating Sales Efforts by Your Teams.* An employee sales campaign is a team effort. Your sales team consists of three groups: employee prospectors, employee sales people and new accounts sales people. All must be kept working together. Prospects must be given quickly to sales people — sales by employees must be checked to assure proper handling — new accounts people must follow their prospects promptly (without neglecting regular duties).

If particular individuals or teams are not productive, the reason must be discovered and corrected. If one group is swamped, temporary substitutes must be found to keep campaign efforts from lagging. When a good prospect isn't sold on the first contact, make sure a follow-up call is made.

Make sure, too, that reports are made to personnel to keep them informed of progress on leads they have turned in.

6. *Awarding the Prizes.* All who qualify for awards at the end of the campaign should get them promptly. In addition, give each employee a final report of the total new business his efforts helped make possible. It makes the employee feel important to be a noticed member of the bank family.

Since each campaign participant did at least some work "beyond the line of duty," it is good public relations to thank everyone for their help and cooperation. It may seem a little thing — but it makes it easier to enlist their aid on your next sales campaign.

No attempt is made here to suggest the kind of prizes or the dollar amount to budget. That is your choice. Note also that these remarks are flexible and can be adjusted to individual bank limitations or preferences.

My main objective is to suggest a new look at sales campaigns, to encourage participation of all staff members and offer hints on how the usual sales campaign can be expanded to capitalize on this.

If this "prospecting" idea for doing a better sales job sounds interesting, give it a try. It could make a lot of your bank people happy, especially those who never won a sales-campaign prize before. It could even open up substantial selling opportunities in your bank you never before suspected.

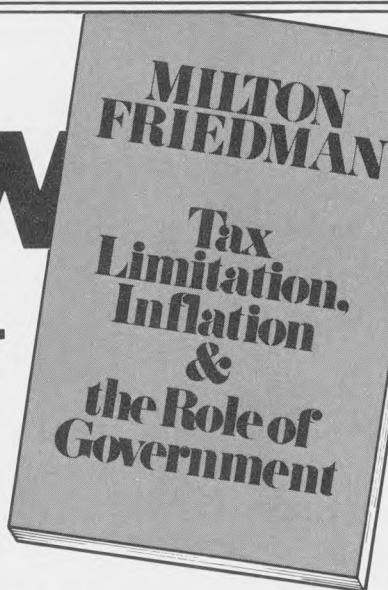
Prospecting, anyone? ●●

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# Two NEW Director Aids



## INVESTMENT GUIDE

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## CONTRACTS

With Bank Executives

\$6<sup>50</sup> per copy

### INVESTMENT GUIDE

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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In many banks, salaries, bonuses and fringe benefits of top executives (particularly those of the Chief Executive) are covered by contract. Many contracts ex-

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.

The manual will help any board committee presently writing an executive contract or in reviewing existing contracts.

#### QUANTITY PRICES

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 5-7 copies . . . . . \$6.00 each  
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# Bank Holds Mini-Meetings To Keep Employees Informed

**E**VEN ITS BILLBOARD near St. Louis' international airport proclaims the "people philosophy" of Bank of St. Ann. It says: "We Care About You."

Although the billboard is directed toward customers, bank management has the same attitude toward its employees. It is enthusiastically generated by Richard J. Pflęging, chairman and president, who maintains an "open-door" policy to his office and help.

"The door is always open so that customers can wave 'hello' and employees can step in and air a grievance if they haven't received satisfaction from their supervisor or in turn, his supervisor," Mr. Pflęging says. "I believe that my attitude as president would be copied by employees down the line. If my attitude is stern, then everybody's would be stern. If I greet customers warmly, then everybody in the bank would, too.

"We are in the people business. If we don't act warm and sincere to our customers, then we'll lose them. If we expect the customers to like us then we have to be likable."

Mr. Pflęging practices what he preaches. Steadily for more than two years, all bank employees meet at 8:30 a. m., every Thursday for a short staff meeting. The meeting can swing in minutes from a serious business matter to infectious laughter sparked by lighter topics. Customer situations, employee promotions and news are discussed.

"We use it as some form of communication even if nothing else is on the agenda," Mr. Pflęging says. "For example, a film on security was shown at a February meeting."

The meeting is more up-to-date than an in-house bank newsletter. And more personal.

"By the time we used to get our former newsletter together, it was old news. After all, we are a small bank with about 50 people. When we found that we were starting to manufacture news to fill the pages, we decided to switch to the weekly meetings," he said. "Besides a memo or newsletter can be read and filed in a book or folder. You can't be friendly in a memo."

Mr. Pflęging says the meetings, which are intended to be two-way communication vehicles, do not turn into gripe sessions.



**Bank of St. Ann Pres. Richard J. Pflęging warns employees about new erasable-ink pen at recent mini-meeting.**

"Sometimes we do convey general criticism but it's in a friendly atmosphere at the meeting. I certainly wouldn't single anyone out and embarrass him in front of his co-workers. That makes for bad internal morale."

Bank of St. Ann has several other people-pleasing house rules. For instance, all employees *must* answer their telephones by the fourth ring. If no one answers the call by the fourth ring, the switchboard operator breaks in and takes a call-back message.

Another house rule is to use the customer's name when talking with him — in person or on the telephone. Keeping pencil and paper by the telephone so that employees don't have to waste a calling customer's time by searching for them also is stressed.

Mr. Pflęging believes that his employees should know company news items before they read them the next day in newspapers or hear about them from people outside the bank.

For example, he called a special staff meeting one Tuesday when the bank's HC decided to add another bank to its holdings and later kept the employees informed about the other bank's progress through the regulatory approval path.

Several phrases are stressed.

Mr. Pflęging believes that the most important one word is "please." The most important two words are "thank you." The most important three words are "I don't know." And the most important four words are "But I'll find out."

"We have a nice bunch of people here," he says.

And obviously he intends to keep his bank that way — friendly. ●●

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# 'Sure Things' That Work In Bank Marketing!

BY ARTHUR A. ZEIS

**T**OO MUCH of what we in advertising do in the banking field is hard to measure in terms of specific results. There are few sure things — programs that always work. But there are some — the sure things of bank marketing — marketing techniques that work, every time, if properly executed.

But first, let's define marketing. At the risk of over-simplification, we define marketing as everything it takes to get and to keep business. Advertising is only one of the many tools of marketing. So are public relations, customer relations, promotions and others.

It's in the other areas of marketing, not advertising, that the sure things are a lot surer. So, looking back on 23 years of bank marketing experience, I have come up with some of the sure things — things you may be able to use right away:

First, and as in any business where people wait on people, this is an area of magnificent opportunity.

**We could all do a better job of training our people to be more effective in person-to-person contact.**

Because the whole area of effective public contact is of such great interest to us, we had a thoroughly trained reporter-observer open an account and make one or more follow-up transactions at every bank and every savings and loan in the St. Louis area during the summer of 1977. He made 52 visits to 26 banks and 58 visits to 29 S&Ls. What did he find? Service that was basically mechanical. Accounts were opened quickly and efficiently but without personality. Teller transactions were even more mechanical — sometimes handled with not so much as a glance at the customer. And the fundamentals are so simple: (See Chart A.)

1. A friendly greeting — not a forced smile; some

*EDITOR'S NOTE:* The author, a 23-year veteran in the advertising business in St. Louis, obviously is a believer in the power of advertising. But he also believes there are some relatively "sure" things the banker can do to ensure effective marketing (advertising) programs. Mr. Zeis presented these ideas recently to a group of Missouri bankers. They are reproduced here for the benefit of our readers.

people smile readily and easily and some don't.

2. Eye contact — it's so important to look that customer in the eye and use his name (how fortunate bankers are to have the customer's name right in front of them for easy use).

3. A sincere thank you.

A friendly greeting, look them in the eye, use their name and thank them. How simple. But how many do it?

Bankers should know the fundamentals of waiting on people. But watch the folks in your bank. Do they do their jobs with a personal flair — or do they invite replacement by machines?

In your field, where your services from one institution to another are so similar, having a staff that makes a customer's visit to your place a pleasant experience can be a significant competitive edge. And that brings me to sure thing No. 2:

**The person who hires new people for you has one of the most important jobs in your bank.**

Not everyone can learn to like waiting on people. Some just aren't good person-to-person people and can't be trained to be. If the person who does your hiring has a knack for selecting people who are friendly and pleasant, you're fortunate. If not, you might want to give the matter some thought. I'm sure you've all had experiences at department stores, supermarkets, airport counters and other places that made you wonder why the people chose to work in jobs where they serve the public. Well, somebody picked them and somebody has the job to train them. How good is your people-picker?

Sure thing No. 3:

**Loan interviewers have, by far, the best opportunity to cross-sell other bank services.**

When a person chooses to come to you for a loan, that is a perfect opportunity to suggest that your bank be allowed to provide all the customer's banking needs, particularly if he has a savings or checking account elsewhere. Almost all loan applicants want to establish a positive relationship with the loan officer or interviewer and will consider their suggestions seriously.

To prove how this can work, you might consider a direct incentive program for loan interviewers. Reward them with a \$2 or \$3 commission for each loan applicant who transfers his checking or savings account to your bank. Sure, it would be ideal if loan interviewers would do the cross-selling without a

reward incentive. But the incentive program, properly set up, does so much to help ensure resultful cross-selling. We know because we've seen it work with our clients. The idea of loan interviewers as commission sales people for the rest of the bank's services does work.

Sure thing No. 4 is easy to do and interesting:

**It pays, every once in a while, to take an outsider's look at your bank.**

When we go to work at the same place every day, it's only natural to overlook — or really not even see — some things that can create a negative impression for occasional visitors, especially newcomers. Such as painted signs that are dirty, tattered or badly faded, electric signs with lights out, worn-looking lobby posters, peeled or torn banking-hours decals or FDIC signs, cigarette butts discarded outside your entrances, messy desks and credenzas in the public view or stacks of boxes or business forms on tables behind desks.

If you'll make it a special point every so often to take an outsider's look at your bank and surrounding premises, you may find one or more of these easily correctable negative-impression makers.

Getting people to change banks is difficult. That's another bank marketing "sure thing" that so many of us keep trying to disprove. New customers will not stampede our lobbies despite new services that are so exciting to us.

Any who have been in banking a few years have watched or participated in powerful, expensive announcements of:

- Free checking.
- One-statement banking.
- 24-hour teller machines.
- Utility-bill collection.
- Saturday banking.
- Automatic transfers.

In every case, what happened? Unless your situation is different from most, not much. Not nearly enough to justify the cost to the bank. You've all

heard of the bank that gave up \$250,000 in checking service charges, spent another \$250,000 to advertise free-checking. What happened? Not much. Accounts that were attracted were minimum-balance accounts that slowed down teller service to the bank's good customers. Certainly banking should be innovative. But we need to understand that what are exciting innovations to us almost always will be ho-hummers to the public. The introduction, promotion and acceptance always take time. And we need to be sure that our reasonably achievable results are worth the immediate and continued cost.

If new services won't win us new customers at a satisfactory rate, what will? The kinds of bank marketing we talked about earlier. People-oriented people. Polite, friendly tellers, new accounts people and loan interviewers. Attention to the bank's appearance. Cross-selling to current customers. All these things create what we call word-of-mouth advertising. When customers like our people and tell their friends about us, we win. Their good words about us, because they like banking with us, are worth more than all the advertising we buy.

But what about advertising? Aren't there some sure things in the advertising part of our marketing opportunities? Of course. For instance:

**Most banks don't make enough use of a good ad or commercial.**

In the major leagues of advertising, where the effectiveness of any ad or commercial is subjected to all sorts of testing, including measurement of copy wear-out, we know that most good advertising is put out to pasture long before it has outlived its usefulness. Good ads, good commercials retain their effectiveness season after season, sometimes even year after year. Yet, how often do we in banking run an ad once or maybe two or three times? Then we discard it forever, certain that everyone has read or heard it and has decided whether to respond. One time-tested truism in advertising is that about the

## Chart A

*What our trained observer discovered in opening accounts at banks and S&Ls.*

*Using Name.* Only three new-accounts people used his name. None of tellers at follow-up teller transactions did.

*Cross-Selling.* Only five of new accounts people mentioned any other service. Only three gave out literature.

*Thank you.* Three banks sent a "thank you" letter. Some 18 new accounts people said "thank you" after the account was opened. None of the banks had a reminder gift for the person opening the account.

*Attitude.* Of the 21 tellers, 11 displayed attitudes ranging from unpleasant to bored.

At the S&Ls, he found the following:

*Using Name.* Only one out of 29 new-accounts people used his name. None used it during teller transaction.

*Cross-Selling.* Seven mentioned other services. Of the eight S&Ls involved in a remote-teller program with a St. Louis supermarket, only four mentioned it.

*Thank you.* Seven S&Ls sent "thank you" letters. Some 12 new-accounts people said "thank you."

*Attitude.* Some 13 tellers displayed attitudes ranging from unpleasant to bored.

*Waiting.* Several times the observer had to wait for the end of a personal or telephone conversation before being waited on.

*Training.* On-the-job training of new-accounts people seems to be a problem. In several cases, the person doing the training talked down to, or lectured, in stern tones, the person being trained in front of the customer.

*Conclusion.* When you find a new-accounts person who likes people and his/her job — and we found several — the whole transaction is much more pleasant.

time a client gets tired of seeing an ad or hearing a commercial, it has started to do a job on the target audience.

Another of bank advertising's sure things is that:

**You'll get best results by concentrating on one medium compared to spreading the budget thinly over several.**

Because of budget limitations, some of us have a natural tendency to try to touch all bases by using some radio, newspaper, TV, direct mail and outdoor. Almost always, you'll get better results if you'll concentrate in one medium first, using it as the core of

your program. Then use other media to supplement it.

How much is enough in any one medium? The key words here are what we call *reach* and *frequency*. *Reach* means what percent of your total target audience does your campaign reach in a given period of time. *Frequency* means how many times during that same period on average does your message reach that percent of your target audience.

To simplify that, let's say your primary target audience is adults, age 21 or over, who live or work where banking with you is convenient for them.

Experience indicates that a goal is to reach 50% or more of your primary target audience five times or more in a four-week period. How many times do you have to run an ad or a commercial to achieve a 50% reach in a five-time frequency? That depends on the circulation or audience of the medium or combination of media. Your radio or TV station and your newspaper representatives can or should be able to help you determine the frequency you need in any medium or combination of media to achieve a 50% reach, five-time frequency. Once that level is achieved, and you still have some budget left, you're ready to add additional media.

What should be advertised? Whatever there is about your bank that has the best chance of bringing new customers through the door. And that brings us to our final sure thing:

**Generally speaking, your installment loan department is your best opportunity to run directly resultful advertising.**

Installment loans solve problems for people. When people in your area understand that you generally want to solve their needs for money — whatever they may be — you have a better chance to get them to the bank than by

# get personal in your statement mailings

No ordinary statement inserts can do as much for your marketing program as the three new quarterly MINI-BankLetters — for only pennies a copy!

They can be attractively printed with your bank's name and logo, an illustration of your building and/or photos of bank officers and even personal messages. Available separately or as a group, the three MINI-BankLetters offer a total of 11 different personalized options!

Top notch editorial material in every issue reminds customers of your other banking services.

You also get a printed PREVIEW copy of every forthcoming issue. If an issue does not fit your marketing program, you can by-pass that issue at no cost.

The new MINI-BankLetter program is literally a made-to-order marketing tool which you

control at all times. No long term commitment. Attractive personalization. No-risk PREVIEW feature. And low, low cost.

Find out how personalized MINI-BankLetters can help your marketing program. Write: The BankVertising Co., P.O. Box 1568, Campaign, Ill. 61820 or call 217-356-1339.

**MONEY MANAGER** tells families about money management, taxes and bank services that help achieve family financial goals. Available for use in February, May, August, and November.

**ESTATE BUILDER** helps create a better understanding of trust services by emphasizing the importance of estate and tax planning. Available for use in January, April, July, and October.

**FARM QUARTERLY** is for everybody with an interest in farming or agri-business and offers helpful tips on agricultural finances and estate planning. Available for use in March, June, September, and December.

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advertising any other kind of service. And when they do come in, the impression your premises makes, your effectiveness in making a visit to your bank a pleasant experience and your cross-selling ability all have an opportunity to work to win you a valuable, multiple-service customer. ●●

## Everything You Wanted To Know

(Continued from page BG/7)

As the program draws to a close, Bulova notes momentum can be maintained by repeating the most productive parts of the original program. Another way to encourage continued high performance is an award banquet or ceremony at which top-performance-level achievers are honored with public recognition.

"Everything you ever wanted to know," which includes a brief, one-page "commercial" recommending Bulova watches as incentive premiums, is available from Bulova Watch Co., Presentation and Incentive Division, 75-20 Astoria Boulevard, Jackson Heights, NY 11370. ●●

## Banks "Zero In"

(Continued from page BG/16)

program due to the influx of new families to Jackson. Our program includes a package with one of the city maps and our Newcomer booklet entitled "Jackson, Center of the Golden Circle." The booklet introduces recent arrivals to local activities and includes a list of important phone numbers.

City-map distribution, however, can sometimes get out of hand. First National of Little Rock's maps are "too popular," says Joy Greer, vice president. "We are almost plagued by success. We seem to be identified as the place to go to get a map. Now that almost no one else is printing them because of cost, we have had to meet the demands of the general public as well as our own clientele.

"Last year, we used 20,000 maps and could have distributed 50,000 had we not regulated distribution."

While the maps were intended for residential sales officers when they contact newcomers, the maps have proved popular with utilities, the convention bureau, the Chamber of Commerce, realtors, schools, abstract

companies, civic clubs and state and city governments.

"In other words," Mrs. Greer says, "there is an obvious need for city maps as fewer people provide them. The demand also becomes almost overwhelming on the suppliers who try to use them for advertising.

"I am not sure how effective they are as an advertising means, but we try to have printed the information that users need most. Thus, instead of advertising, our city maps have become almost a community service. We never planned it this way." ●●

● **Air Link.** This company has a fast, pneumatic message system that dispatches paperwork and small objects up to 4,000 feet at a speed of 25-30 feet per second. The system may be installed by the manufacturer or may be purchased in an inexpensive, do-it-yourself kit. Write: J. Eric Berge, Air Link International, 708 North Valley, Anaheim, CA 92801.

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# Premiums/Incentives: Profit Builders for Financial Institutions

## SNUG SACK®

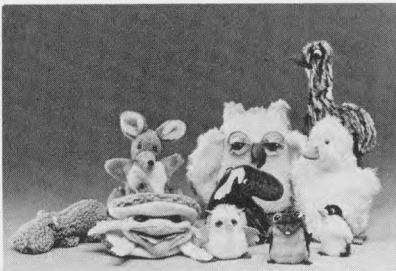
*Bank:* Bank of Hickory Hills, Ill.

*Premium:* Medium and large Snug Sacks®, comforters, blankets.

*Offer:* A deposit of \$500 to a new or existing savings account entitled customer to purchase Snug Sack® for \$14. Free blanket to anyone depositing \$500 or more.

*Supplier:* Raymond Downing Associates, 5050 Newport Dr., Rolling Meadows, IL 60008

*Results:* 720 new accounts opened with almost \$2.3 million in new deposits received. Almost \$1 million was added to existing accounts. Blankets were displayed on brass bed complete with mattress and box springs in lobby. The bank had a free drawing, which was open to the public, to give away the bed and bedding at the end of promotion. Blankets were sold at cost to employees and directors. Cost per \$1,000 gained was \$8.50 for the eight-week promotion beginning December 2, 1978.



## STUFFED ANIMALS

*Bank:* Citizens Fidelity, Louisville.

*Premium:* Hand-crafted stuffed animals.

*Offer:* A \$100 deposit to savings account entitled customer to small stuffed animal. A \$5,000 deposit qualified for large stuffed animal. Both sizes made by company founded in 1970 to bring employment to Appalachian region.

*Supplier:* Possum Trot, Inc., McKee, KY 41015.

*Results:* At press time, the bank was approaching its goal of increasing its market share in total savings deposits. According to a bank spokesman, the animals were selected because they were unique among premiums and because they emanated "a feeling of warmth and

friendliness." The initial newspaper ad read: "A plush savings offer from the unstuffiest bank in town. . . . Now, more than ever, Citizens Fidelity gives you something to hold on to." Employees were given one free animal at the campaign's start and also could buy them. Keeping the branches stocked with a variety of the toys has been the only "problem."



## MERCHANTS' SIGNS

*Bank:* Florida First National, Bartow, Fla.

*Premium:* "Open-and-Closed" Signs for Merchants.

*Offer:* Given to merchants to use on their doors to let the customers know their working hours. Banks used these to develop an officer-call program.

*Supplier:* Bobby F. Griffin Inc., Box 824, Bristol, VA 24201

*Results:* Developed an excellent officer-call program. Many calls were made on merchants and this developed into a better relationship between the bank and merchant. It was a good point-of-purchase advertising for new business for the bank.

## CRYSTAL

*Bank:* First National, Louisville.

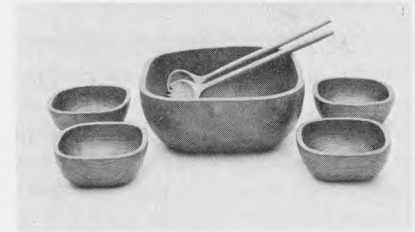
*Premium:* French lead crystal.

*Offer:* With deposit of \$50 or more in a new or existing savings account, customer received two free crystal tumblers. With each additional \$25 deposit, a pair of wine, water, parfait or cordial goblets cost \$6.75 or a pair of tumblers, short or tall, cost \$5.25.

*Supplier:* W. M. Dalton and Associates, 11 Penn's Trail, Newtown, PA 18940

*Results:* 6,000 new accounts

opened with \$3.8 million in new deposits received. Some \$14.1 million added to existing accounts. A bank spokesman reports that Dalton and Associates helped with planning, controls and some merchandising. The quality of the product supported the bank's image.



## TEAKWOOD TRAYS

*Bank:* O'Hare International Bank, Chicago.

*Premium:* Solid teakwood trays, salad sets, meat platters.

*Offer:* With \$250 deposit or more in new or existing savings account, a salt and pepper set is free, with \$1,000 deposit either the salt and pepper set or a four-compartment relish tray is free, with \$5,000 deposit the two former items or a five-compartment tray, carving board, serving tray, three-piece salad set or four-piece barbecue set with tray is free.

*Supplier:* Anderson Premiums Co., 2955 Arrowwood Road, Riverwoods, Deerfield, IL 60015

*Results:* More than \$8 million in new deposits were made. The promotion's goal was met within the first 28 days. The bank continued the promotion through third quarter due to popular demand.

## CURRIER & IVES TRAY

*Bank:* Eastchester Savings Bank, Mt. Vernon, N. Y.

*Premium:* Currier & Ives tray.

*Offer:* Free tray when customer opened or added to an automatic-renewal Christmas Club account.

*Supplier:* Fabcraft Inc., Frenchtown, NJ 08825

*Results:* Some 1,700 new accounts were opened exceeding the bank's goal. Premium campaign was advertised via newspaper, radio, lobby posters and displays.



# Premiums/Incentives: Profit Builders for Financial Institutions

## GOURMET KITCHEN SPREE

**Bank:** Farmers & Mechanics Savings Bank, Minneapolis.

**Premium:** Gourmet Kitchen Spree.

**Offer:** Variety of gourmet kitchen gifts available free at the \$250, \$500, \$1,000 and \$5,000 deposit levels or could be purchased at various amounts. These items included kitchen chopping block, salt 'n pepper mill set, snack tray and cheese dome, French chef cutlery set, continental wine rack among others. A butcher block table could be purchased for \$129.97 with \$500 deposit, \$119.97 with \$1,000 deposit or \$97.97 with \$5,000 deposit.

**Supplier:** Foley Manufacturing Co., 3300 N.E. Fifth St., Minneapolis, MN 55418

**Results:** Some 13,500 premiums were distributed with total deposits of \$28.6 million. Some 1,900 new accounts totaling \$2.5 million in new deposits were opened. Bank employees were allowed to purchase most of the kitchen items at cost.

## OIL PAINTINGS

**Bank:** T G Bancshares Inc., St. Louis.

**Premium:** Original oil paintings, framed and matted.

**Offer:** With minimum deposit of \$100, to a new or existing account, customers could buy any paintings they wished. Prices ranged from \$10 to \$54.

**Supplier:** Carlyle Imports, 1684 S. Wolf, Wheeling, IL 60090

**Results:** Some 12 new accounts totaling \$8,000 were gained. Also some \$63,258 was added to existing accounts. Total cost of campaign was \$322. The program which ran from November 1 through December 31, 1978, was advertised through statement stuffers, bus posters and lobby displays. Paintings were offered because the bank's community is involved in home-improvement programs and the bank thought it would be a good way of offering interior home-improvements at a nominal cost.

## LUGGAGE

**Bank:** First National, Manhattan, Kan.

**Premium:** Maximillian Flat Paks by Admiral and "Go-Lite" linen luggage.

**Offer:** Deposits of \$100, \$1,000 or \$5,000 to a new or existing savings account entitles customer to free piece of luggage or to buy pieces at

reduced rates.

**Suppliers:** Affiliated Services, 7870A N. Babb, Skokie, IL 60077, and Select Awards, One Select Plaza, Kansas City, MO 66103.

**Results:** Some \$933,714.26 was deposited. Cost per \$1,000 deposits gained was \$9.15. Customer traffic increased providing for cross-selling.

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## Clowns-For-A-Day Spark Deposits

**L**IBERTY NATIONAL, Oklahoma City, wasn't clowning around during its recent premium promotion. The bank was serious about attracting new business. The premium promotion turned out to be a barrel of laughs. Especially when eight customer counselors wore clown outfits complete with makeup to complement the "Korky" clown doll and drum bank that was being offered for \$4.95 to those who deposited \$100 in a new or existing savings account or free to those depositing \$500.

The one-day emphasis on the clown doll during the middle of the Christmas shopping season was successful, according to Barbara Farley, assistant vice president, operations, who heads the customer counselor division.

"Not only did we move out a lot of Korkies during the day," Miss Farley said, "but we created a lot of goodwill for the bank by showing that a bank can be human and have fun."

One lady customer at the new accounts desk laughed throughout her entire transaction with the clown behind the desk, Miss Farley said.

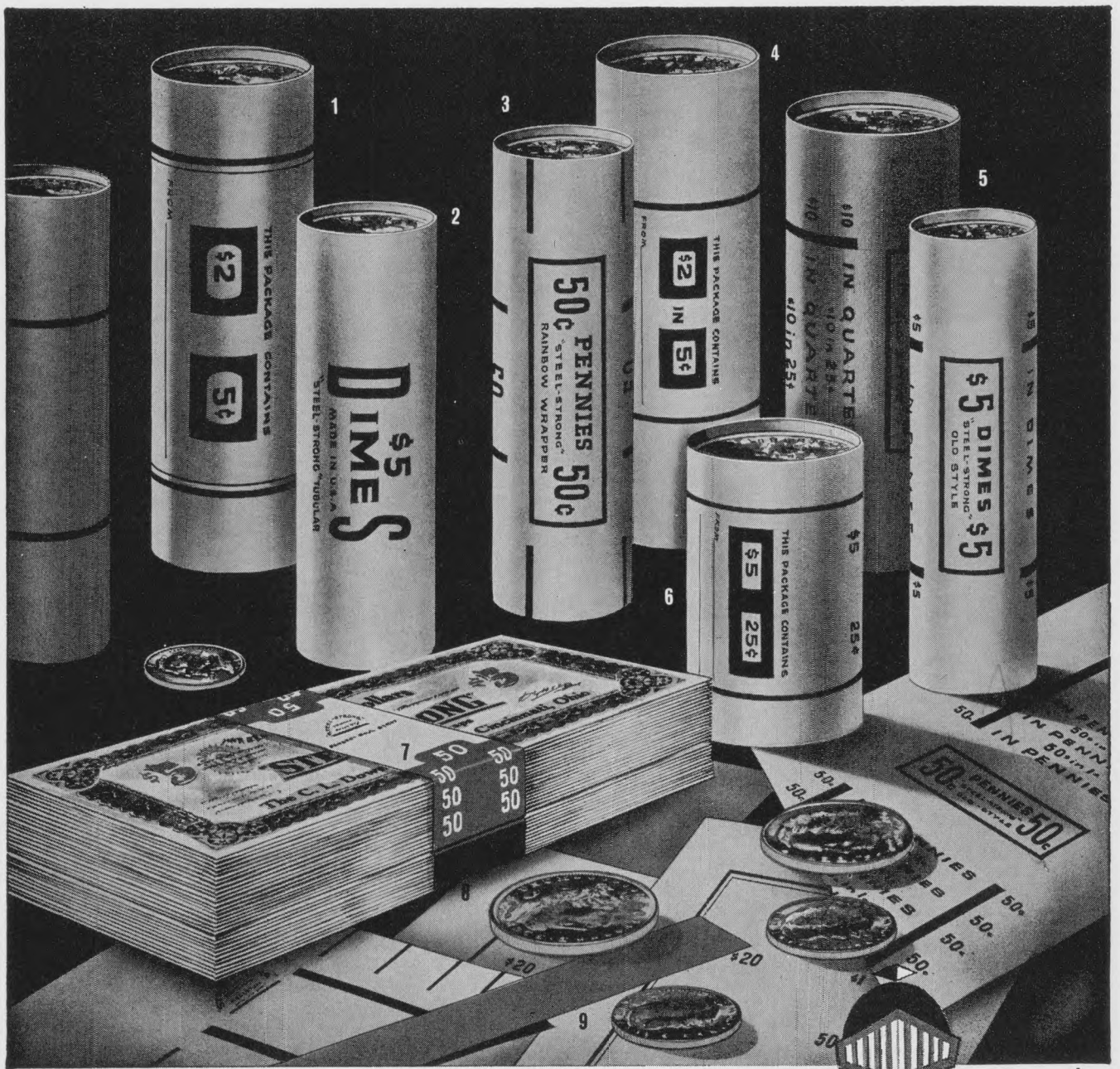
The clowns were judged in the morning for the one with the most outstanding makeup. But the judging panel, including Gordon Greer, Liberty National's president, decided they were all outstanding and awarded each a dinner certificate for two at the restaurant of their choice.

Clowns for a day were Jeri Holand, Jan Wilsey, Doralene Jones, Sharon Snoddy, Annette Liflin, Marlene Disney, Rosa Lee Sroufe and Joe Ellyn Wheeler.

The bank "won" more than 100 new accounts totaling about \$1.5 million in new deposits. Deposits for 625 existing accounts averaged more than \$1,500 during the three-week promotion. ••



Customer counselors display their outfits and Korky bank premium.



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**3 RAINBOW COIN WRAPPER**

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

**4 DUZITALL COIN WRAPPER**

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

**9 BANDING STRAPS**

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

**5 OLD STYLE COIN WRAPPER**

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

**6 KWARTET COIN WRAPPER**

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

**7 FEDERAL BILL STRAP**

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

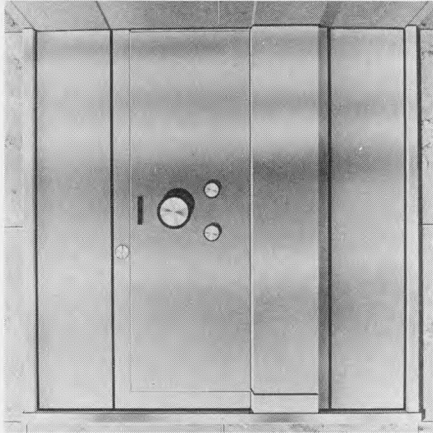
**8 COLORED BILL STRAP**

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

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• **Mosler.** This safe company has a new U. L.-listed Class II vault door that's twice as strong as steel, the American-Century Vault Door. It is made from Mosler's improved security material, SUPERLOY®. The door has a one-hour rating, meaning the net working time that two skilled operators can open it by a variety of methods. Write: Mosler, 1561 Grand Blvd., Hamilton, OH 45012.



• **Federal Sign.** This company has a variety of electronic signs that provide news-oriented public service and advertising information and may be per-

## New Products and Services

sonalized with a bank's name. Write: Federal Sign, 140 E. Tower Dr., Chicago, IL 60646.

• **Bobby F. Griffin, Inc.** Carpet mats designed to boost banks' car-loan business are available from this firm. The mats, 2x3 feet or 3x5 feet, carry a bank's message and logo. Banks are urged to give them to their auto dealers. Write: Bobby F. Griffin, Inc., Box 824, Bristol, VA 24201.



• **Diebold Contract Services, Inc.** This Diebold subsidiary manufactures a total automatic facility designed for a variety of needs. Included are a lobby version, a walk-up plan and a drive-in banking facility. In each case, the building includes a Diebold TABS® total automatic banking system, a Diebold After-Hour® depository and appropriate alarm protection. Write: Diebold Contract Services, Inc., Canton, OH 44711.



• **Christmas Club a Corp.** Dickensian favorites, including Tiny Tim, Bob Cratchit and Mr. Fezziwig, decorate Christmas Club a Corp.'s 1979 Yuletide premiums — a tray, tree ornaments, holiday candle, tile, insulated mug and a porcelain bell. These premiums, designed to be used by

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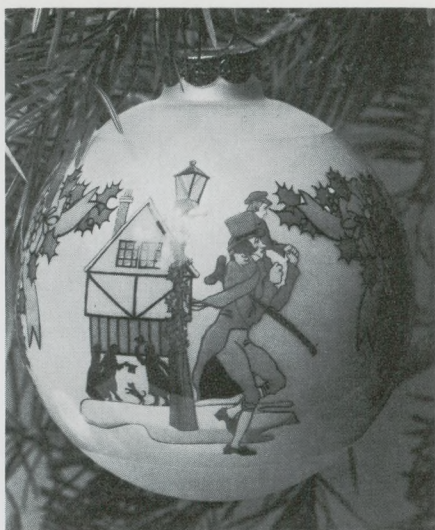


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This tree ornament featuring Tiny Tim and Bob Cratchit from Charles Dickens' "A Christmas Carol" is one of many Dickensian premiums being offered to banks by Christmas Club a Corp.

banks in connection with their 1979 Christmas Club promotions, bring new life to such items as coupon books, passbooks, various application forms, currency envelopes, shopping bags, Christmas Club checks, displays and even bright little teller badges, according to Christmas Club a Corp.

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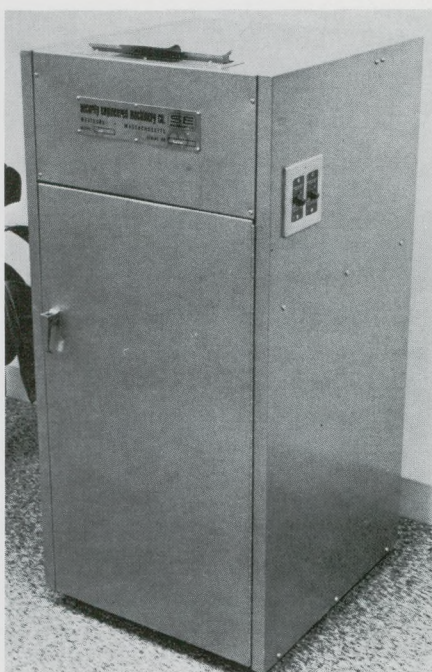
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SOUTH EL MONTE, CA 91733

Write: Miss Renee M. Brett, Manager, Customer Service, Christmas Club a Corp., P. O. Box 20, Easton, PA 18042.

• **Brandt, Inc.** This money-processing systems company has a "Countess Jr." document counter featuring a ferris-wheel stacker that assures positive delivery and orderly stacking of paper items on the stacking plate. The new model 816 processes these items at a rate of 750 per minute. Write: Brandt, Inc., Watertown, WI 53094.



• **Security Engineered Machinery Co.** Microfilm and microfiche of any kind can be destroyed for security reasons with this firm's Model 700 disintegrator. The process includes cutting the film into irregularly shaped miniature confetti. Larger models can destroy entire rolls of microfilm tightly wound on plastic reels. Paper, including unburst computer printouts, also are easily destroyed. Write: Security Engineered Machinery, 5 Walkup Dr., Westboro, MA 01581.



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## Arkansas Bank 'Sells' Young Savers With Its Johnny Appleseed Program

**J**OHNNY APPLESEED, the young savers club sponsored by Twin City Bank, North Little Rock, Ark., has captured 11% of the bank's regular passbook accounts.

"Our objective," reports Adeline Barker, assistant vice president, "is to make the Johnny Appleseed program the most dominant and outstanding program for children under 12 in our market area.

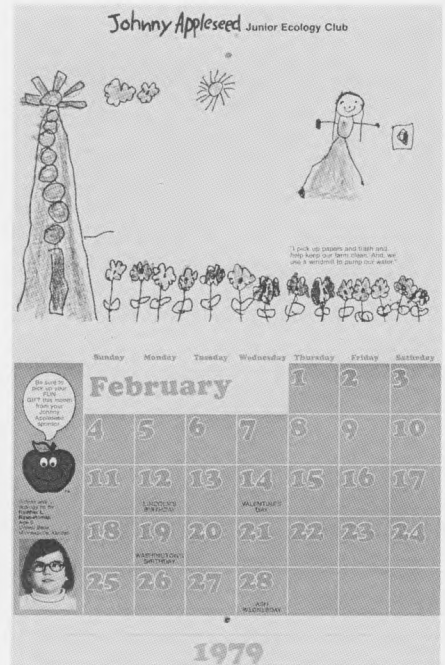


"The Johnny Appleseed program is designed specifically to instill ecological awareness in young savers and to encourage a systematic approach to savings accounts," she says.

All members receive an ecology kit, which includes a membership card, bookmark, apple-shaped dime-saver card and an ecology calendar. Everything is printed in rich apple red and features the program's "smiling" apple.

The heart of the Johnny Appleseed program is the ecology calendar highlighting colorful drawings and ecology tips ("If everyone would throw away their own trash, the city would be almost completely clean.") by members nationwide. (The program was developed by Advertising Concepts, Inc., Wichita, Kan.) "The ecology calendar affords strong continuity to the program by encouraging the member to add to his savings account on those alternate months outlined in the calendar. An ecology-oriented gift is offered as an incentive," Mrs. Barker says. "On intermittent calendar months, the youngster is provided constructive do-it-yourself home ecology projects. The child is thereby motivated to actually save regularly, while improving the quality of his environment."

Each month the bank sends out a



Twelve-month calendar, with timely tips for the young saver, is an integral part of the program. Syndicated material also provides cartoon-style newspaper ads that can be "localized" with stripped-in announcements of bank special events.

bright red-and-white birthday card to Johnny Appleseed members celebrating birthdays that month. Other club mailings are postcards, printed in a child-like hand, announcing premiums "for a deposit of \$1.00 or more. Bring along a friend to join so they can have one, too." Cartoon-type newspaper ads also announce premiums or events.

Special events have included Johnny Appleseed Day at a local amusement park and a club night at the baseball park, where Johnny Appleseed handed out apples, apple gum and frisbees imprinted with the apple logo. T-shirts also bear the "smiling" apple sign.

Introduced in 1975, Twin City Bank's Johnny Appleseed program, the most successful of 78 clubs supplied by Advertising Concepts has 1,800 members with accounts open and 750 members who have not opened accounts. The average account balance is just under \$100.





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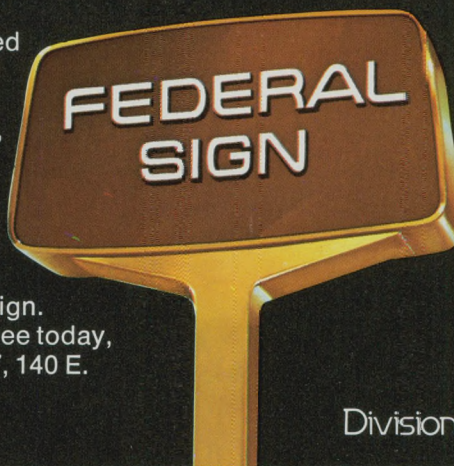
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# POS System Is Successful For Bank, Its Customers, Participating Merchants

**P**EOPLE who shop in and around Illinois' state capital of Springfield cash checks the "Easy" way. This pleases the merchants who serve the shoppers, and delights the institution that started this "Easy" wave: First National of Springfield.

Easy is the name chosen by First National to identify its fast-growing, farsighted point-of-sale (POS) terminal system for check authorization. The name is an acronym standing for "Electronic Assistant Serving You." According to bank officials, both consumer and merchant acceptance of the new service has been excellent.

"We now have over 65,000 Easy cards out in a market with a potential adult card-holder base of 115,000 persons," notes Walter R. Lohman, First National's chairman and president. "We have 35 POS terminals in some 30 merchant locations, including 14 of the 18 high-volume food supermarkets in the area. Card-transaction volumes are growing steadily, and we are right on target with our ambitious projections for the new system.

"More important, we have proved a point and opened up a promising path for the future," Mr. Lohman adds. "What we have proved — to our full satisfaction — is that retail merchants and the financial industry can work cooperatively to develop a mutually beneficial electronic banking system that is accepted enthusiastically by consumers because it offers them new service convenience. This alone justifies our investment to date in the development of the Easy card system.

"And with proof of acceptance in hand, as a result of our initial step toward EFT, we remain confident that the market also will accept and use other electronic services First National now is in a strong position to introduce. The POS terminal network is our clear-cut path to advanced banking-service technology. When Illinois' restrictive unit-banking law is liberalized, the present Easy system can readily be expanded to handle funds transfer, deposits and withdrawals, loan payments and account-balance inquiries, as well as check-cashing authorization," Mr. Lohman points out.

Launched in late 1976, the Easy system has just a few basic elements. The Easy card, which initiates terminal transactions, is a plastic debit card imprinted with the bank's name and with the customer's name and Easy card number embossed. Each card holder also is assigned a personal identification number (PIN), which must be entered by the card holder to complete a transaction. Electronic network elements include IBM 3606 and 3608 financial services terminals linked to the bank's IBM system/370 Model 138.

All but two of the POS terminals at store locations are 3608s, and all the 3608s are customer — not merchant — operated. "In the pilot program, we installed a terminal inside the service counter for operation by store personnel, but we realized quickly that this was not the way to go," recalls Ronald L. Carter, vice president and cashier.

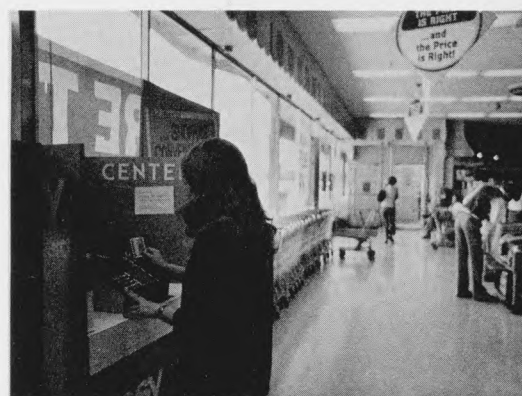
"Probably the strongest appeal of the point-of-sale terminal check-authorization system to the merchant is time and labor savings," he continues. "With a terminal, the merchant no longer has to maintain his own check-authorization card file, and store personnel no longer waste time checking customer identification and writing down drivers' license numbers on the backs of checks presented for cashing. If store personnel had to operate the POS terminal, the time and labor savings advantage would be lessened and so would the appeal of the system to the merchant," Mr. Carter says.

"Marketing the system not only is much easier when the merchant understands that the terminal in his store will be operated by the customers themselves, but this arrangement also has proved much more convenient for the customer who wants to cash a check," Mr. Carter points out. "The customer simply steps up to the free-standing Easy Card Center we place in the store and authorizes his or her own check."

The free-standing Easy Card Center, normally placed near the front of a store where it is convenient to check-out lanes or service counters, is designed to speed and simplify the



Walter R. Lohman (l.), ch./pres., and Ronald L. Carter, v.p./cash., First Nat'l, Springfield, Ill., demonstrate simplicity of IBM 3608 POS terminal at Easy Banking Center display unit in bank lobby.



Customer (l.) at Springfield, Ill., supermarket on Easy Card System uses IBM 3608 POS terminal to authorize her own personal check. Almost all terminals in merchant locations are customer operated.



First of Springfield customer uses IBM 3606 financial services terminal in bank lobby to check her balance. Any Easy Card-holder customer of bank can use terminal to quickly obtain balance information on either checking or savings account.

# POS System Successful

## (Continued)

check-authorization transaction. The terminal rests on a shelf at a convenient height. Step-by-step instructions for using the terminal are placed conveniently on the Easy card stand, and abbreviated instructions are on and around the terminal.

The procedure is simple: The customer slides the Easy card through the terminal's reader slot, enters the PIN number, presses a transaction key, enters the dollar amount, if it's a check for cash, inserts the check into the printer unit and presses a send key. Once the transaction is approved, the terminal prints on the back of the check the date, amount, transaction, merchant, store and terminal numbers plus the customer's Easy card number. If the transaction is denied, the system will signal the terminal via a message light.

Convenience is the obvious benefit of this new system as far as the customer is concerned. An Easy card holder actually can perform three types of check authorizations through the terminal. The first is approval of his own personal check for cash. In this case, he enters the dollar amount of the check through the terminal and once it is approved, he presents the check at the service counter to receive his money.

The second type of authorization is for the amount of purchase. In this transaction, the customer does not enter a dollar amount. Once approved, he takes his merchandise to any check-out lane or sales counter. After the dollar amount of the sale is determined, the shopper then writes the pre-approved check for that amount. All participating supermarkets and many retail merchants allow their customers to write their personal checks for a limited dollar amount over the actual amount of purchase for their added convenience.

The third form of authorization is for miscellaneous checks. In this case the card holder presses the miscellaneous-transaction key and inserts a payroll or government check into the printer unit. Once approved, the card holder presents the check at the service counter to be cashed.

For control purposes, limitations on number of checks each customer can have authorized in a given period are established within the system.

Check-cashing convenience for the customer translates into a major mer-

chant advantage of the system. "The Easy system is proving a powerful business builder for us," says Jack Pierson, manager of a large National Foods Store in Springfield. "The two terminals in our store make it easy for customers to cash checks without any fuss or delay, and this convenient service is bringing more customers into the store and boosting our volume."

Obviously, merchant appeal of the Easy system grows as the number of Easy card holders in the market grows. "With some 65,000 cards out, we have achieved a 56% penetration of the total potential market, and this represents a lot of prospective customers for participating merchants," Mr. Carter comments. "Phase I of the introduction of the Easy card system was limited to our bank's checking-account customers. In early 1977, the system was expanded through development of a negative card-file concept, thereby allowing us to issue Easy cards to anyone no matter where he did his banking. In fact, Easy card holders do not need to have a checking account if their only use is limited to miscellaneous checks such as payroll or social security checks. Negative card holders represent about 65% of the total card base."

Transaction volumes are rising steadily, with the food supermarket-terminal locations producing the majority of the transactions, according to Mr. Carter. "For example, the system approves between 75% and 80% of all checks written in the higher-volume supermarkets."

In addition to time and labor savings for the merchant, and the opportunity to attract new customers and build greater store traffic, the Easy system is helping to reduce the merchants' bad-check losses, an increasingly serious problem. One merchant on the system claims a reduction of over 75% in bad-check losses since the POS terminal was installed.

Merchant cooperation is vital to the success of the POS terminal installation, and First National has developed a number of techniques to help ensure that cooperation and to promote use of store terminals. One of the most effective of these is use of in-store demonstrators, who spend about two weeks at a merchant location after a terminal is installed.

"These people explain the Easy card system, demonstrate the use of the

card and encourage shoppers to complete an application for their own cards. We have found this to be an effective way to win merchant cooperation, build confidence in the point-of-sale system on the part of store personnel and to quickly educate store customers in proper use of the terminal. As a result, we find that terminal-transaction volume builds rather quickly to the predictable level in line with store traffic," Mr. Carter declares.

Consumers and merchants benefit from the Easy system. What about First National of Springfield? "We see a number of important benefits," President Lohman replies. "The new system has enhanced our reputation as an innovator and leader in electronic banking methods and has created valuable publicity. We are beginning to see new customers for our banking services, and we believe the system will continue to create more new accounts for our bank."

"Even more significant is the fact that we have proved merchant and customer desire for the convenience of electronic banking service. We are educating consumers to the benefits of EFTS and to use of a debit card. Sooner or later, this will translate into strong demand from the public for more reasonable banking legislation in the state of Illinois. And when this happens, First National of Springfield is prepared to take advantage of these new opportunities." ● ●

### Salaries Regionally Competitive, According to Bank Survey

Bankers' salaries generally are competitive regionally, according to a study published by Don Howard Personnel, a New York City-based national recruiting and placement firm.

Although the large money centers in the Northeast/Mid-Atlantic states continue to command salaries somewhat higher than in other areas, the study indicates the differences are substantially less pronounced than in the past.

The study is unusual because it covers salaries offered by commercial banks and trust companies, rather than current earnings, which typically serve as the base for most such studies. Employers and applicants can use this perspective to determine realistic salary levels based on the personnel marketplace.

The survey covers executive, professional and technical categories, with a special section on trust banking. It is available free of charge from Don Howard Personnel, Inc., 120 Broadway, New York, NY 10005.

# The outlook for mortgage-backed securities.

**MGIC answers the questions most frequently asked about the future of this new source of capital.**



For the past year, MGIC has been conducting seminars presenting latest developments in mortgage-backed securities. The key questions asked were these:

**Q: What does the future hold for housing?**

A: Despite the unsettled outlook for 1979, long-term prospects are bright. The desire for home ownership is stronger than ever and will push home ownership rates from 65% to over 70% in the next decade.

**Q: Why such growth?**

A: The number of individuals in the prime home buying, 25-44 year-old age group, will increase by 16 million between 1980 and 1990. In addition to growth in the traditional husband/wife unit, greater numbers of non-traditional households are seeking single-

family homes. Add to this a favorable political attitude toward housing, the obvious tax benefits and hedge against inflation home ownership provides, and you have the makings of a housing boom which will extend into the 1990's.

**Q: With greater demand and higher prices, where will the money come from?**

A: Savings and loan associations, commercial banks, mortgage bankers, savings banks and other traditional lenders will provide more money. Life insurance companies will return to the market along with new lenders such as credit unions. But demand will still outrun supply.

However, this gap will be filled by the marriage of blue chip home loans with the national and international capital markets. This will happen through a broad array of mortgage-backed securities which bring pension funds, bank trust funds and international investors to home loans.

**Q: Where is the market for mortgage-backed securities headed?**

A: Straight up. Outstanding conventionals could approach \$200 billion by the late 1980's.

**Q: What are the advantages of the various types of mortgage-backed securities?**

A: Mortgage-backed pass-through

(Continued on next page.)

## The outlook for mortgage-backed securities (continued).

certificates can introduce home mortgage debt to new investors efficiently with insurance guarantees, an investment-grade rating and excellent liquidity.

Mortgage-backed bonds can roll over sterile home loans now on your books.

Private placements of mortgage securities can allow smaller originators, mortgage bankers and even some home builders to tap new markets for funds.

Mortgage revenue bonds and Housing Finance Agencies can tap tax-exempt markets.

Mortgage securities conduits sponsored by MGIC's Maggie Mae, plus those sponsored by FHLMC, FNMA and others, can assemble smaller pools of mortgages from several originators into large public issues.

Privately-insured small pools of conventional loans on standardized documents such as MGIC Mortgage Certificates (MAGICs) will permit conventional lenders to function like GNMA originators.

### **Q: What makes the pass-through more popular with originators?**

A: Sale of conventional pass-through certificates constitutes an asset sale and therefore has no effect on an originator's balance sheet. Originators receive origination and servicing fees for handling details of the mortgage contract and payments. Importantly, however, the pool and the insurer of the pool, not the originator, are responsible for repayment.

### **Q: How about investors and pass-throughs?**

A: Mortgage-backed pass-through certificates effectively convert single-family instruments into efficient investment securities designed to give the investor what he wants: a high quality, trouble-free financial asset with a respectable return.

Pass-through certificates solve special problems usually encountered by investors when dealing in mortgages. For instance, delinquencies and foreclosures can often disrupt or delay normal cash flow and payment of interest to investors. However, MGIC's 5% of pool coverage and 1% of pool special hazard insurance coverage guarantee ultimate payment of principal and interest to the extent of the insurance. Servicers advance timely payment, subject to insurance coverage.

Professional studies have concluded that these pool coverages provide enough protection to withstand conditions similar to those of the Great Depression of the 1930's and/or major natural disasters. Consequently, MGIC-insured issues typically have been rated "AA" by Standard & Poor's.

### **Q: What key factors determine an issue's rating?**

A: Standard & Poor's rating system is based on the following key factors:

1. Nature of the pool and capabilities of the servicer.

Strong preference is expressed for residential, owner-occupied, primary mortgages on single-family continental U.S. properties, but a limited number of condominiums are allowed. Loans may be fixed or variable rate. Minimum size pool for a public issue should be 100 loans. The originator/servicer must have demonstrated ability to properly service mortgages and its financial condition and ability to make cash advances must be sufficient to permit ready transfer of servicing, if necessary.

2. Level and nature of insurance.

Mortgage guaranty insurance is used to fill the gap that all probable credit losses could cause. Mortgage securities involve two new types of insurance coverage: mortgage guaranty insurance at 5% of pool, which is regarded as sufficient to protect investors against depression-type losses; and special hazard insurance at 1% of pool which covers all physical risks not included under a normal homeowner's policy (earthquakes, floods, hurricanes, mudslides, etc., as well as non-payment of homeowner's premiums).

3. Capabilities of the mortgage insurance company.

S&P's rating system emphasizes the critical role of the mortgage insurance company.

The company must employ over three times the reserves to write mortgage pool coverage as regular coverages. (MGIC, with almost 50% of total industry reserves, can readily meet this standard.)

The company must spread its risk geographically. (MGIC is licensed in all 50 states, has less than 13% of its policies in any one state and less than 3% in any one metropolitan area.

All of these easily meet S&P's requirements.)

The company's reserves must be invested soundly with business cycle and depressed conditions in mind. (MGIC meets these guidelines very well.)

The company must have a proven track record to demonstrate its underwriting ability, gain a respectable market share, bring its expense ratio in line, obtain geographic diversification, develop a balanced portfolio and generate positive unassigned surplus. (As founder of the modern mortgage guaranty insurance industry, MGIC is the largest, most diversified and strongly capitalized company in the business.)

**Q: How much is it going to cost?**

A: Home loans can be converted into prime quality securities only when costs of conversion do not exceed the spread between home loan rates and capital market rates. Due to SEC rules and prospectus requirements, conversion costs are substantial. In addition, the participants—investment bankers, trustees, rating agencies, securities lawyers, printers and mortgage insurers—must be paid for their services. The cost of issuing a typical public pass-through amounts to about one percent of the total offering.

**Q: What about small volume originators?**

A: MGIC makes it possible for lenders of all sizes to participate in the mortgage-backed securities market. MGIC's recently-formed conduit corporation—Maggie Mae—as well as its MAGIC Certificates will enable lenders to tap new sources of funds for homeowners, including those seeking low down payment loans.

MGIC has created a unique performance bond for use with its MAGIC Certificates. The performance bond guarantees that servicing will be performed in accordance with the servicing agreement, thus assuring the investor that the monthly pass-through of principal and interest will take place as scheduled—regardless of collection from individual borrowers.

And finally, private placements enable virtually all lenders to participate.

**Q: What must a lender do to take an issue to market?**

A: 1. Develop a lending program which generates a sufficient volume of home loans for bulk sale at or near market rates.

2. Have its chief financial officer contact

interested investment bankers and a prominent securities rating agency such as Standard & Poor's or Moody's to discuss prospects for an issue.

3. Select a well-qualified mortgage insurer as soon as possible along with a custodian/trustee. The rating an issue receives depends on the insurer selected, so it is important to select a financially strong and experienced mortgage guaranty insurer.

4. Oversee preparation of a securities prospectus, sales servicing agreement and other legal documents, followed by a decision on market timing and price.

5. Develop a plan to reinvest the securities proceeds quickly and efficiently.

6. Plan appropriate follow-up to ascertain who bought the issue, their reaction to it and prospects for future issues.

**Q: Before going to market, where should a lender go for guidance?**

A: When you need expert guidance in the field of mortgage-backed securities, call MGIC, the professional team with more proven experience than any other.

MGIC and its staff have been students of residential lending for many years. Since guaranteeing the landmark Bank of America pass-through issue in September 1977, MGIC has insured over \$1 billion of mortgage securities while continuing to work on the frontiers of conventional loan risk-taking, innovating new and unique insurance coverages. In addition, MGIC now has a special Mortgage-Backed Securities Division to serve the needs of mortgage-backed securities issuers.

If you feel mortgage-backed securities have a place in your future as an originator, servicer or investor, tell your MGIC Sales Representative or Regional Manager what you need. We'll do the rest. And when you're ready to go to market, you owe it to yourself to call MGIC toll-free at (800) 558-9900 and ask for the Mortgage-Backed Securities Division. In Wisconsin, call (800) 242-9275.

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# National Electronic Paycheck Program Works Smoothly for Bank and Firm

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**E**LECTRONIC distribution and deposit of paychecks nationally for sales personnel of the Macklanburg-Duncan Co. is "working precisely in the manner forecast," says Gary Harrison, vice president/finance of the Oklahoma City building specialties manufacturing company.

Experience with the program spans several months now, as the electronic check-deposit program went into effect late last year through efforts of Liberty National, Oklahoma City. The program was a result of an officer call by Liberty officers on their customer, the Macklanburg-Duncan Co. This officer-call program was the subject of a feature article in last month's issue of MID-CONTINENT BANKER.

"Electronic direct payroll deposit represents significant new benefits for

our sales personnel," says William W. Hulse, Macklanburg-Duncan's CEO. Sales personnel for the firm are located throughout the nation, serving various territories.

Under the new system, all personnel, no matter where they are located, are assured their paychecks will be deposited in their banks on payday, declares J. W. McLean, Liberty chairman.

"We have found Liberty and the Mid-America Automated Clearing House Association (MACHA) in Kansas City to be completely reliable in performing this important new service," Mr. Harrison states. He indicates that currently all sales personnel are on the program, along with some 80% of the company's salaried employees.

"It is our intention to change our local hourly wage earners to the direct-deposit program as soon as we can work out some handling details," Mr. Harrison says.

Macklanburg-Duncan manufactures such products as weather stripping, extruded aluminum products, door bottoms, metal mail boxes, caulking materials and the like at its Oklahoma City plant. The products are marketed and distributed nationwide. Sales personnel, therefore, are located throughout the country.

The procedure for sales personnel pay works like this: Sales personnel have granted permission for automatic deposit to their personal bank accounts each payday. M-D prepares a magnetic tape of all participating employees and their banks and delivers this tape to Liberty National.

Liberty balances the entries and credits the accounts of M-D employees banking at Liberty. A magnetic tape then is prepared for all other employees and delivered to MACHA in Kansas City through the Oklahoma City Fed Branch.

MACHA balances and validates the remaining entries and sorts them according to individual banks in the National Automated Clearing House Association (NACHA). Magnetic tapes or paper journals then are sent to those banks. The employees' banks then post the entries to the individual accounts.

On payday, each employee receives a "pay-slip deposit" instead of a paycheck and is secure in the knowledge that his money is readily available for immediate use.

"Although it may sound like science-fiction, the miracle of electronics actually makes it a very simple process," Mr. McLean says. "We are especially pleased to initiate this service for M-D employees, making their payroll the first direct-deposit entry into the NACHA system from Oklahoma."

"Electronic direct payroll deposit for Macklanburg-Duncan underscores Liberty's commitment to practical electronic funds transfer services — not just experimental EFT systems. This program is but one additional step toward ultimately relieving the mounting burden of check processing within the Federal Reserve System," Mr. McLean adds.

With banks in 33 states receiving Macklanburg-Duncan/Liberty direct-payroll deposits, the distribution process through NACHA is one of the most extensive service coverages in the nation. ●●

## Check-Guarantee Systems Run Into Rough Weather

**C**ITING lack of profit, City National, Columbus, O., discontinued the check-guarantee portion of its point-of-sale (POS) system March 15. However, the bank is keeping its customer-operated terminals for authorization of Visa debit and credit cards through the POS system.

According to John F. Fisher, senior vice president, First Banc Group, parent of the bank, its OK check-guarantee-card system — the prototype for that kind of program — was becoming increasingly expensive to operate because of growing charge-offs to fraud. Ten million transactions — half of all checks cashed in Columbus supermarkets — were handled during the 2½ years the program was in operation. However, the bank saw no opportunity for future profit there because it believes a check-guarantee service will not be viable due to what Mr. Fisher calls the reluctance of vendors and the banking industry to press for POS developments.

As he puts it, "POS is a program whose time has not yet come."

\* \* \*

Another midwestern bank presently is "evaluating" its check-guarantee program, but for somewhat different reasons from those cited above by City National of Columbus.

Some merchants enrolled in its 37-POS-site program are reporting decreases in sales. Why? Customers who do not have the bank's check-guarantee card reportedly are "shopping elsewhere" — that elsewhere being a point where they can "cash a check as usual" and shop for groceries, hardware, etc.

Merchants obviously are questioning whether a "few bad checks" cannot be offset by higher retail sales. And where the merchant "really knows his customers," a check-guarantee may not be all that important, particularly when old-time customers go elsewhere to shop!





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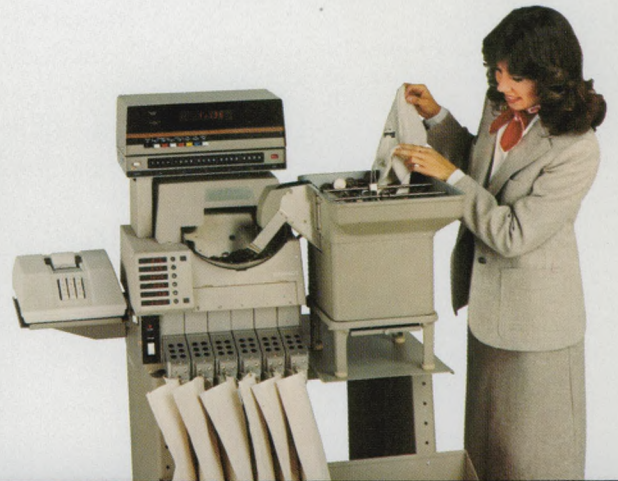
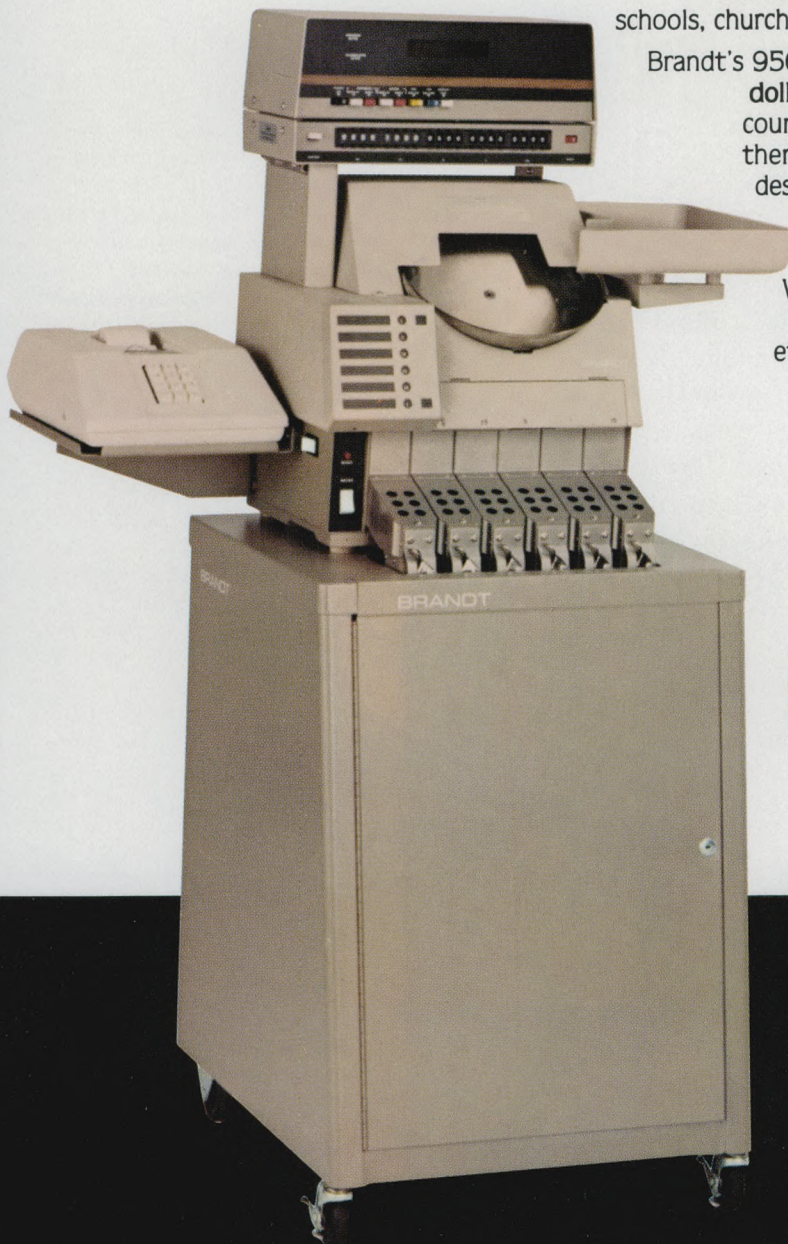
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# Comptroller's Office Issues Warnings On Director Conflict of Interest

**D**IRECTOR conflict of interest was the subject of two letters written late in 1978 and early in 1979 by the Comptroller's Office. One letter, sent in December to a midwestern attorney, warned against any national bank securing its credit life insurance coverage from underwriters who reinsure the coverage with a firm owned by the bank's officers and directors. The other letter, written in January to the board of a national bank, was about leasing bank premises from director-owned corporations.

The December letter pointed out that although the Comptroller has not prohibited by regulation the practice of reinsuring credit life coverage with a firm owned by a bank's officers or directors, he actively discourages it because "it creates an obvious conflict of interest, inhibits management's efforts to seek better alternatives and forces directors to disqualify themselves from participating in discussions relating to the transaction."

The letter goes on: "Let us assume that a dispute develops between bank management and the underwriter who administers the affairs of the reinsurance company. If several directors are investors in the reinsurance company, they will find it difficult conscientiously to advise the bank on how to proceed in negotiating with the underwriter. Moreover, suppose bank management wants to change underwriters for a better deal elsewhere or for some other reason? The conflicts of interest raised by director involvement would seem to require these directors to disqualify themselves and thereby deprive the bank of the advice and wisdom for which they originally were sought as directors."

In this respect, the letter points out that 12 USC 24 (7th) specifies that the governance of a national bank shall be "by its board of directors." Thus, according to the letter, any self dealing by a national bank's directors that causes them to disqualify themselves from participating in board deliberations on a particular question reduces the degree to which the directors can diligently carry out their statutory duties. Moreover, the letter con-

tinues, at a time when banks and other corporations decry the difficulty of finding talented individuals willing to serve as directors, it seems less than responsible for a bank to enter into transactions that force its directors to remove themselves from board discussions, when feasible alternatives are available. As the letter says, "Good directors are too scarce to dispose of in this way. Directors are appointed to give wise counsel, for which they receive directors' fees, not to benefit personally from insider dealings on the propriety of which they cannot advise objectively. See 12 USC 73.

**". . . Any self dealing by a national bank's directors that causes them to disqualify themselves from participating in board deliberations on a particular question reduces the degree to which the directors can diligently carry out their statutory duties."**

"Moreover, it is clear that one effect of this kind of transaction is to encourage the bank's loan officers to 'push' the sale of credit life insurance to loan customers whether they want it or not. With the directors hoping to benefit from their investments in the reinsurance company, the pressure on loan officers to raise their 'penetration ratio' increases, thereby enhancing the chances of a violation of the antitrust laws. This possibility was commented on in a recent case involving sale of credit life insurance. *First Nat'l Bank of LaMarque v. Smith*, 436 F. Supp. 824, 830 (S.D. Tex. 1977). It also should be noted that at least one recent appellate decision suggests that the courts will interpret rather strictly the anti-tying provisions of the Bank Holding Company Act amendments of 1970, 12 USC 1971-1978. *Swerdloff v. Miami Nat'l Bank*, 584 F.2d 54 (5th Cir. 1978). Where a loan officer ties or

appears to tie the purchase of credit life to the granting of credit, a violation of not only the Sherman Act and the Clayton Act, but also the Bank Holding Company Act amendments is possible."

In this light, the letter concludes, the Comptroller's Office views the reinsurance practice as unsound and inconsistent with a national bank director's oath.

*Sale/Lease-Back.* The January letter said that for several years, the Comptroller's Office has discouraged sale/lease-back transactions in which directors of a bank own the bank premises and lease such premises back to the bank. Such a self-dealing arrangement, it went on, creates an obvious conflict of interest for the interested directors, and this conflict forces those directors to disqualify themselves from participating in discussions relating to the transaction, thereby preventing them from rendering the advice and wisdom for which they originally were sought as directors.

The letter told the bank to which it was being written that "the lease-back transaction in which your bank has been involved provides a classic example of the problems such conflicts present. Directors owning the property have, in the past, been reluctant to effect necessary repairs to the structure, thereby putting the bank in the position of threatening to make those repairs and recover the expenses so incurred out of rents. The bank as tenant ultimately was required to share the expense of those repairs. Moreover, the bank now is being extended an offer to purchase the bank premises at a price much higher than appraised value. We understand that the price being asked is in the neighborhood of \$325,000 to \$350,000. Two recent appraisals valued the property at \$130,000 and \$225,000, and a recent sale of a similar property brought \$135,000."

The letter advised that termination of the lease-back was highly desirable. However, it continued, the Comptroller's Office believes the price being sought by the directors (through a corporation) would provide them windfall

# OLD REPUBLIC

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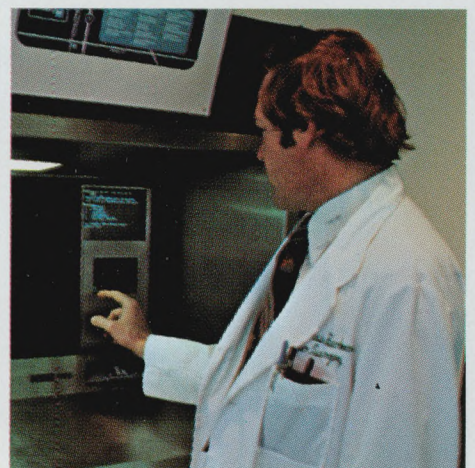
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profits. Payment of such an excessive price, said the letter, could constitute a waste of the bank's assets in contravention of safe and sound banking practices. The letter then cautioned that such self dealing also may be subject to the charge that certain bank shareholders who are directors are receiving benefits not shared with other shareholders.

The letter advised the bank's board to seek a more realistic price in light of

comparable price data available at this time. Alternatively, the letter warned, the Comptroller is prepared — should it become necessary — to take such formal administrative action as may be necessary to ensure that the bank's transactions with its insiders are conducted on fair and reasonable terms.

The letter ended by saying, "We further believe that this transaction is material and should be disclosed to shareholders." ●●

## Arkansas' First Drive-In Window Reaches Its 30th Birthday

**T**HIRTY YEARS AGO, the forerunner of the fast food chain drive-in window in Arkansas made its debut at First National, Hot Springs.

Tom Stone, senior chairman, brought the idea back from a business trip in 1949. Mr. Stone, who was the bank's president then, visited Hillcrest Bank, Dallas, which had just installed one of the first drive-in windows in Texas.

Believing that the new banking concept had potential for Hot Springs, Mr. Stone asked the Mosler Safe Co., Hamilton, O., to build a drive-in window at his bank. At the time, Mosler was not manufacturing drive-in windows, but Mr. Stone was referred to a company in upstate New York.

The window, which cost \$1,000, officially opened February 18, 1949, adjacent to the main bank building at the corner of Exchange and Court streets. Lawrence Powell, then assistant cashier, manned the station. First customer was Bill Armstrong, then chief of police and who later formed the Armstrong Oil Co.

Hot Springs residents liked drive-in banking. There were many days during that first year when traffic would back up two blocks with customers anxious to try the new convenience, Mr. Stone recalls.

News of First National's banking innovation spread and soon bankers from all over the state went to Hot Springs to inspect it. First National's was the forerunner of today's more than 1,000 drive-in bank windows in Arkansas. The bank now has 19 drive-in windows in eight locations in Garland County — more than any other bank in the county, according to a bank spokesman.

Mr. Stone recalls showing the drive-in window to E. H. Mosler, then



First customer Bill Armstrong, then Hot Springs, Ark., police chief, is assisted by Lawrence Powell, then a.c. at First Nat'l, Hot Springs, 30 years ago when it opened first drive-in window in state.

president, Mosler Safe Co., who was a frequent visitor to Hot Springs, in 1950.

"When I reminded Mr. Mosler that I had tried to buy the innovation from him, he replied, 'Stone, that company in New York is ours. Since this gadget was in the experimental stage at that time, we did not want to put our name on it. We make one now with the Mosler name on it. It is a great concept. The rest is history.'"

Mosler, by the way, now is one of the largest manufacturers in the country of security and transaction systems and drive-in windows.

Mr. Stone says, "Actually the first drive-in banking in Arkansas had to be in Waldron, Ark., where I started my banking career. We had a farmer who used to ride eight miles to town on horseback to make his weekly deposit. He would ride up to the front of the bank and yell for me. I would dash out and accept his deposit, saving him from having to get off his horse." ●●

## Terminal Network

(Continued from page 41)

nals while, at the same time, learning how to use the service.

The check-verification transaction was included because check approval makes it easier for a customer to get his check cashed, especially at an office where he is not known. In addition, check approval speeds up customer service. Finally, intra-account transfers were used at a customer's own BayBank because they speed service and result in paper truncation.

During the first year of operation, over one million transactions were performed. About 70% of these were balance inquiries, 20% check approvals and 10% intra-account transfers. The volume of transactions was surprisingly heavy in some of the urban branches — such as in Cambridge and Somerville — and disappointingly light in the more suburban and rural branches.

Since implementation of the program, BayBanks reports a developing plastic card base. Many of the BayBanks' plastic cards now held were reissued to replace cards issued under a previous (nonplastic) card program. The remaining cardholders had to select their password; cards were not issued automatically. Much of BayBanks' success in this area is attributed to advertising and, to a greater extent, to a contest that rewarded branch personnel for each card issued.

In all cases, customers have had the option of selecting their own passwords. However, those customers who received plastic cards as reissues for original cardboard cards received cards with assigned passwords unless they elected to select their own. Although the process of permitting passwords to be selected was more costly, it was felt that customers would be far less likely to forget a password they had selected themselves and thus would be more likely to use their cards.

BayBanks believes it is still too early to evaluate the success of the BayBanks X-Press program. In terms of R&D and customer education, much has been learned by BayBanks and its banks' customers to date. While the ATMs have proved to be popular, it is still too early to judge the success of the check-verification units from a marketing viewpoint.

Operationally, however, some transactions have been automated and

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**Left to right:**  
Jim Hill, Lew Brown,  
Deborah Wilson, Hubert,  
Russ Holdych.



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this has proved particularly meaningful in branches like Harvard Square and other high-volume urban branches where the customer is more mobile and not particularly well known. In these cases, the customer has been given a comfortable means of identifying himself and approving his check, and a definite marketing service has resulted for at least a small percentage of BayBanks' customers. In addition, BayBanks has noted that the terminal network and the BayBanks "Something Better" card has helped differentiate the banks' product for purposes of sales and advertising.

BayBanks also has found it easy to swiftly implement strategic marketing policy changes that involve consumer-oriented terminals. For example, in October, 1978, the BayBanks X-Press cash-withdrawal limit was extended from \$200 to \$350 per day, per card. At the same time, the HC announced that a "Something Better" card holder could use the terminals to approve withdrawals on any non-BayBanks check, again up to \$350 (\$700 weekly limit). These new services were available simultaneously at all BayBanks offices; the only change required on the terminals was to re-label the appropriate keys.

BayBanks believes that electronics, consumer-operated terminals, ATMs and plastic cards are part of a long-term strategy. The ability of banks to provide new and innovative services with these technologies is clear. Key questions are what services do customers want and which of these can be offered while still providing a reasonable return. BayBanks wants to find out the answers to these questions so that it can begin to prepare itself and its customers for the future. ●●

#### **Money Orders, Travelers Checks, Savings Bonds Now Can Be Sold At Nonbank Offices of Bank HCs**

The Fed has amended its Regulation Y to permit bank HCs to sell money orders, travelers checks and U. S. savings bonds to the public at their nonbank offices. The Fed fixed a maximum face value of \$1,000 on money orders sold at offices of bank HCs and their subsidiaries.

At the same time, the Fed declined to adopt an amendment that was proposed earlier that would have allowed bank HCs to sell variable-denominated instruments and financial-management courses. The Fed announced it would consider specific proposals by bank HCs to furnish consumer-oriented financial-

management courses on a case-by-case basis.

In related action, the Fed approved an application by Citicorp, a New York City bank HC, to sell money orders, travelers checks and U. S. savings bonds and to provide consumer-oriented financial-management courses at eight offices in Utah of its subsidiary, Citicorp Person-to-Person Financial centers.

■ WALLACE L. SANDIFER has been named administrator of the 14-branch system, American Bank, Baton

Rouge. He is vice president, Ambank Acceptance Corp., a subsidiary of Great American Corp., also American Bank's HC. Charles Floyd, vice president, has been named chief operating officer, Ambank Acceptance.

■ CHARLES I. MILLER has joined Louisiana National, Baton Rouge, as vice president and chief financial officer. Mr. Miller was an administrative manager/controller division, First International Bancshares, Inc., Dallas.

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## Four Bills Pending

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(Continued from page 22)

els would remove the Treasury's concerns about a possible loss of revenue generated by Fed earnings.

Use of earnings-participation accounts — into which Fed members could place up to the first \$10 million of their reserve balances under the ABA's proposal, generating income at the prevailing Fed portfolio rate — could make it attractive for new and smaller banks to join the Fed. Earnings-participation accounts also could be phased in carefully to avoid any major cut in Treasury revenue from the Fed.

Direct access to Fed services, other than emergency borrowing privileges for liquidity purposes, should be available only to Fed-member banks. Any other arrangement would negate the value of Fed membership and would run contrary to the goal of making voluntary membership attractive.

No Fed-member bank should be exempted from Fed reserve requirements. Such exemptions would perpetuate a form of graduated reserve requirements, and the graduated-reserve approach has been shown to contribute to instability in monetary policy, the ABA says.

With the ABA's position on the Fed issue, and those of most other interested parties, now on the record, coming weeks will provide an opportunity for a search for sufficient common ground among the various parties to generate support for legislative action.

The nearly 400 bankers who participate in the ABA's Banking Leadership conferences will review the situation, including any new alternatives that may have been put forward, when they meet later this month in White Sulphur Springs, W. Va. Invited to that conference will be the members of ABA's government relations council and governing council and leaders of the state bankers associations and of other national financial trade associations. ●●

## Bad-Check Prevention Is Subject of Program Begun at Bank HC

More than a few attempted swindles by "paper hangers" — bad-check passers — have been thwarted because of an awareness program called "Check Your Losses," initiated by Detroitbank Corp.

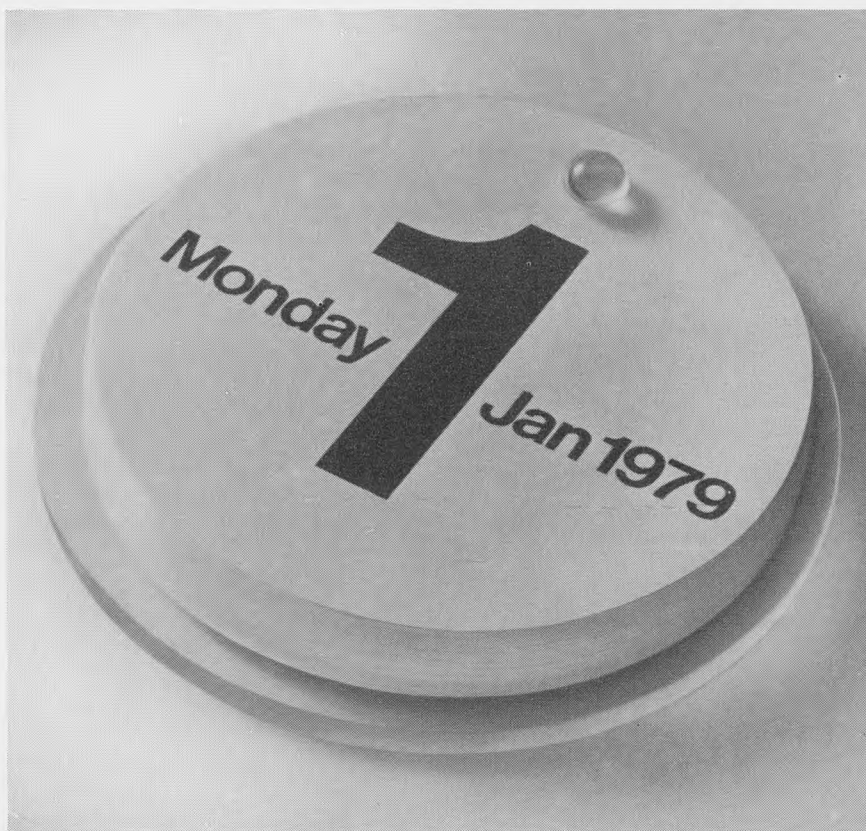
Started by the loss prevention department, the program has been conducted in more than 35 area department stores, including J. C. Penney, Inc., J. L. Hudson Co., chamber of

commerce organizations and merchants associations in five shopping areas.

Those attending the sessions receive folders outlining preventive measures, examples of how checks can be altered and tips on how to verify drivers' licenses and other identification at time of purchase.

Ron Norton, auditing officer in charge of the program, said, "We also like to alert salespeople to the con games played by bad-check passers. For example, a swindler might have a check completely prepared with the

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merchant's name, date, his signature, driver's license number and other ID numbers already inscribed on the check so all he has to do is fill in the amount. A busy salesperson may not be inclined to check for ID."

There also are tips for individual consumers:

- Never throw away deposit or withdrawal slips at the bank. A swindler, pretending to have lost something of his own, easily can retrieve it from the wastebasket and instantly have your name, address, account number and signature sample — enough information to use your account for his fraudulent activities.

- Reconcile your checking-account statement as soon as you receive it so that any check not written by you or that has an altered dollar amount can be reported immediately to the bank. Failure to do this can, in some cases, shift the blame from the bank to you.

- Safeguard your unused checks as you would your currency. A skillful swindler can use them as easily as you do.

### Banks, S&L, Credit Unions Launch Shared EFT System Under New Michigan Law

Metromoney, the first shared electronic funds transfer system approved under Michigan's new legislation, is shared by four Detroit-area banks, two credit unions and a savings and loan association.

The new state law mandates sharing of automated teller machines.

"By sharing the Metromoney terminals, financial institutions can build a large enough customer base to make these costly electronic systems practi-

cal from an economic standpoint," said Leo A. Cooney, president, Charge Card Association, which provides the link between terminals and the financial institutions.

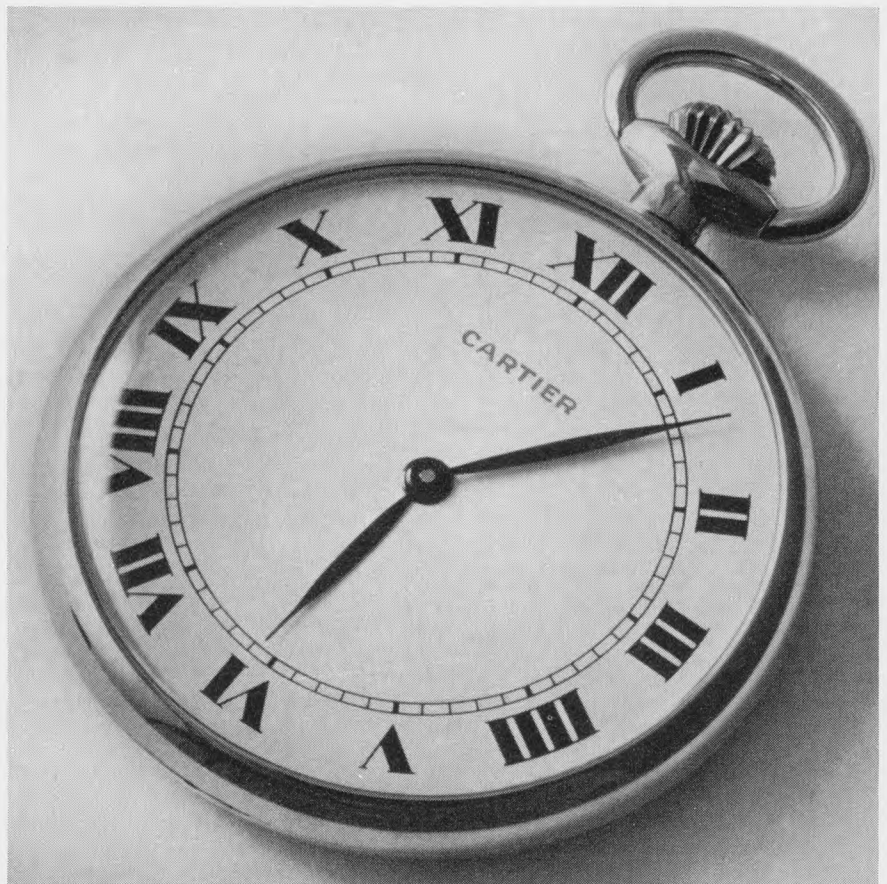
Metromoney's ATM installations, two each at Michigan Bell Telephone Co. headquarters and The Ford Motor Co. tower at Renaissance Center, both in downtown Detroit, perform a full range of deposit, withdrawal, transfer-of-funds and bill-paying functions. Plastic transaction cards offered by the seven participating institutions activate the ATMs.

Current participants are Bank of the Commonwealth, City National, Manufacturers National, National Bank of Detroit, Dearborn Federal Credit Union, Telephone Employees Credit Union and First Federal S&L.

Future participation is open to all state and federally insured deposit institutions in the Detroit area, Mr. Cooney says.

The new Michigan law mandating terminal sharing took effect January 1. The legislation allows ATMs in areas where institutions are unable to branch and allows point-of-sale termi-

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Ford Motor Co. employee uses ATM in firm's tower of Detroit's Renaissance Center. ATM is part of Metromoney, first shared electronic funds transfer system approved under new Michigan law. Participants are four Detroit-area banks, two credit unions and S&L.

MID-CONTINENT BANKER for April, 1979

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Only on-premises terminals can be exclusive to an individual bank.

Other sections of the law limit consumer liability for unauthorized transfers; require provision of a transaction receipt; protects personal privacy and limits issuance of unsolicited cards.

### Liberty of OC Honored

OKLAHOMA CITY — Liberty Nat'l has been designated a "Showcase Bank" by Florida Software Services, Orlando, for the bank's commitment to automated financial data processing.

The award, a specially commissioned leather sculpted plaque, was given to T. Joseph Semrod, pres., Liberty Nat'l Corp., by Kenneth P. Kirchman, pres., Florida Softwares, who flew here for the presentation. Mr. Kirchman's firm is said to be the largest supplier of financial software systems in the world.



**T. Joseph Semrod (l.), pres., Liberty Nat'l Corp., Oklahoma City, accepts specially commissioned leather sculpted plaque from Kenneth P. Kirchman, pres., Florida Software Services, in recognition of bank's commitment to automated financial data processing.**

According to Mr. Semrod, upgrading of his bank's data processing capacity will result in better customer service and greater operational efficiency both for Liberty and its correspondent banks.

"We have found through careful selection of standardized package programs that we can achieve excellent cost performance, complete documentation and reports that meet our users' needs. In addition, Florida Software provides ongoing maintenance and improvement to keep our systems updated for new regulatory requirements and banking innovations."

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### Authority to Examine HCs Asked of State Legislature By Mo. Finance Commissioner

JEFFERSON CITY, MO. — Authority to examine bank HCs has been requested of the Missouri Legislature by the state's finance commissioner, Edgar Crist, who charges that some small Missouri HCs are taking excessive dividends and management fees from their subsidiary banks. As Mr. Crist puts it, if he has the right to examine bank HCs, he would be in a better position to stop any that tried to "loot" their subsidiary banks.

Mr. Crist has the power to examine HC banks and trust companies, but not their HCs. Holding companies have become the major ownership form of Missouri banks in the last decade, with 114 of them owning 71.7% of banking assets in the state. The 30 multi-bank HCs own 237 banks with 61.8% of total deposits in the state. The remainder are one-bank HCs.

The Fed makes available to Mr. Crist its examinations of HCs, but he believes they are of little value to him because such examinations are made only about once a year and sometimes only once in three years. Thus, the information is too out of date to be of use. Also, because of the confidential nature of the information, Mr. Crist cannot use it as the basis for a decision on an HC application.

Mr. Crist emphasizes that he doesn't want to examine all HCs, but he would like to have the authority to investigate HCs if unsafe or unsound practices are found in a bank examination.

Mr. Crist says HC banks are being operated with significantly less capital than are independent banks. As an example, he points to year-end 1978 reports showing that the 30 multi-bank HCs in Missouri had an average capital-to-asset ratio of only 7½% at year-end 1978, while the state average was 8.67%.

Some states have regulatory authority over bank HCs, and Mr. Crist would like Missouri to join their ranks because, as he says, "The proposed legislation is necessary to eliminate a serious weakness that presently exists in the supervision and regulation of Missouri state-chartered banks."

# ATS Impact Shown in BAI Survey

**A**UTOMATIC TRANSFER service accounts (ATS) appear to be having some impact on the industry's new deposit acquisitions and account changes, according to results from the first part of a BAI survey of member banks. Complete results of the two-part survey are expected to be announced this summer.

Initial results indicate average outlays for advertising and operations changeover expenditures have not been substantial. Ronald G. Burke, BAI president, said, "The industry initially has met the introduction of ATS accounts with what appears to be a defensive strategy designed more to protect market share rather than to attract new business."

Many bankers, he said, are regarding ATS as an interim step until the expected interest-bearing transaction accounts are permitted by law, such as those with federally chartered banks and S&Ls in New York state and like those New England states have had since 1972.

Of the 349 responding banks, the survey found 68% are offering ATS. Of the remaining 32%, almost seven of every 10 do not intend to offer the service in the future.

Less than half the surveyed banks with assets under \$25 million offer ATS, while more than 70% of banks with assets over that amount provide the new service.

Of the industry's new ATS deposits, 51% come from demand accounts, 35% from savings, 13% from outside sources and 1% from CDs.

There were 221 surveyed banks that reported an average of 14% of their ATS accounts came from new customers. The survey showed approximately 80% of total ATS account dollars are held by banks with assets in excess of \$1 billion.

Results also show banks in the Pacific Northwest have substantially more serious ATS competition than the rest of the country. In that area, banks offering ATS are spending more on promotion and attracting significantly greater ATS deposits. Of these banks, two-thirds have minimum-balance requirements between \$500 and \$3,000, with the majority calling for a minimum of \$1,500.

More than 75% of banks offering ATS had an introductory promotion program. However, 24% did not pro-

mote the service at all. Average advertising/promotion expenditure was \$62,000; the median was \$25,000. Industry advertising comprised an average of 6% (5% median) of the typical bank's total annual advertising budget. The major selling point used was to accrue interest on idle funds (emphasized by 82%); about half (49%) discussed overdraft protection in advertising and promotion copy.

ATS transactions are being processed automatically by 78% of banks. Of the remaining banks that process the transactions manually, one-third currently have no intention of upgrading to an automated process. The average cost of reprogramming existing software to process ATS automatically was \$26,659 (\$18,000 median).

Based on the minimum balance for ATS accounts, 70% of the banks surveyed operate at least two pricing plans in charging customers. The maximum number of plans submitted was six. Of the 239 banks offering ATS, 596 pricing formulas were submitted.

Actual automatic transfer is initiated in 84% of the plans at zero balance in the demand-deposit account. In 8% of the plans, the transfer occurs at a minimum balance; the remaining banks let the customer choose. In 76% of the ATS plans, funds are transferred in exact amounts as opposed to minimum increments.

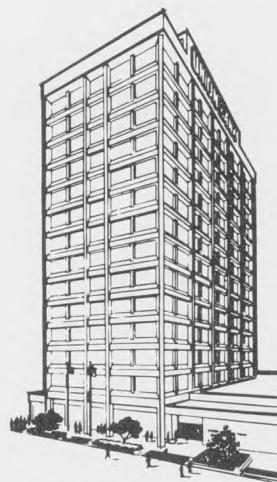
Only 7% of the pricing plans offer earnings' credits in addition to the interest being paid on the funds in the ATS account. Package plans entitling the customer to a number of banking services and programs are offered with ATS accounts in only 5% of the pricing plans. Combined service plans require use of other bank services, thereby resulting in a reduced rate of charge. This represents only 1% of the plans offered.

Sixty-nine percent of the banks furnish a monthly statement that contains both ATS and other account information. A separate monthly statement with only ATS information is used by 21% of the banks. ••

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## New Coin Equipment Awaits Arrival Of New Susan B. Anthony Dollar Coin

LIKE A clairvoyant, Brandt Inc., a money-processing equipment manufacturer, has looked ahead to July, when the new \$1 Susan B. Anthony coin will be introduced en masse in this country.

The company foresaw that the arrival of a half billion newly shaped coins could clog coin-counting operations and impede customer service.

To stem the tide of interrupted operations, the company is producing four models of coin sorter-counters and three modified coin packagers with six-coin capability. Conversion kits, which will alter a machine to accept the new dollar, are available from Brandt district managers nationwide. Local service staffs will perform the conversions.

Unless existing bank equipment is converted, the flood of new coins that will hit the nation in July will play "dirty tricks" on those machines, according to Charles J. Wallman, Brandt's executive vice president.

"The new coin," he says, "almost certainly will mis-sort either as a half-

dollar or as a quarter. And, as a direct result of mis-sorting, it will cause a miscount."

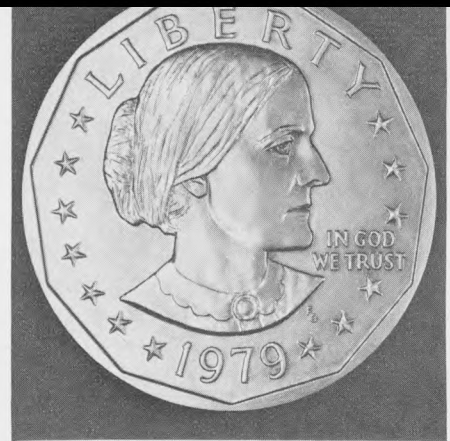
This leads to teller inefficiency, he says, because "someone has to find where the counting error occurred and unravel the problem. And this uses up precious, costly time of bank staff."

Customer dissatisfaction is another result of such errors, Mr. Wallman says. Any wrong count would be under, not over. "There's nothing like having an angry customer who's been shortchanged by his own bank."

The new coin could cause a jam and possibly damage an older model. The total as well as denominational counts will be inaccurate on a newer model machine with a totalizing mechanism unless it's converted, he says.

Previous Brandt equipment, and that of other manufacturers, can handle five coins — the penny, nickel, dime, quarter and half-dollar — for financial institutions requiring high-speed sorting and counting.

"Perhaps the major argument for having proper equipment to accom-



modate the new coin is the need to render the same service to customers as in the past," he says. "It simply will not be possible without coin-handling machines with full six-coin capability. ●●

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## Age Discrimination

(Continued from page 30)

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I believe that in many cases medical science is capable of making accurate individual assessments of the physical and psychological competence of employees. One such common assessment would be in the evaluation of sick

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or injured employees for early social security benefits.

As for planning ahead, the banker cannot always be certain he has the right person at the right time to fill an oldster's shoes.

As for the third point, this seems to be another form of discrimination for youth against age that leads us into Mr. Voorhees' comments against mandatory retirement:

1. When based on age alone, it is contrary to equal-employment opportunity and is discriminatory.

2. Chronological age alone is a poor indicator of ability to perform a job.

3. The declining birth rate will mean a proportionately smaller labor force supporting a larger retiree population early in the next century.

Mr. LaRuffa wrote that his division is anxious to follow up on information concerning specific instances of age discrimination.

The Labor Department — commenting on ages 40 to 65 — believes much of the discrimination directed against older workers is due to unfounded and unsubstantiated myths about their physical and mental capabilities. Among the stereotyped statements most frequently heard are:

- Older workers will not be able to stand the strains of a job.
- Older workers will be ill more often.
- Older workers will not be able to learn new techniques as rapidly as younger workers.

However, Labor Department and private studies show otherwise. They indicate:

- Older workers' attendance is likely to be better than that of younger persons.
- Older workers are less prone to change jobs.
- Even though some older workers may have longer spells of illness, they are likely to be ill or disabled less frequently than younger persons.
- In production jobs, output of older persons up to age 65 compares favorably with that of younger workers (no comment yet on 65 to 70).

In one study of 6,000 office workers, there were minimal differences in output by age group.

Questions frequently asked the Labor Department about the act are:

*Q. Can a worker be retired before age 65 (now 70) against his wishes?*

A. Generally not, but yes if such involuntary retirement is required by terms of a bona fide retirement or pension plan and that requirement is tied in to the funding of the plan.

*Q. Are validated employment tests*

*permissible when applying for a job?*

A. Yes. However, such a test must be related specifically to job requirements; fair and reasonable; administered in good faith and without age discrimination and properly evaluated.

*Q. Is it permissible to give preference to a job applicant 41 years old over a 61-year-old applicant solely on age?*

A. No. It is just as unlawful to give preference to one person within the 40-65 protected age group over another as it is to give preference because

of age to someone under 40 over someone between 40 and 65.

*Important Change.* On July 1, 1979, enforcement of the Age Discrimination in Employment Act shifts from the Labor Department to the Equal Employment Opportunity Commission, a completely different sort of agency.

As James Kilpatrick, popular Washington columnist, puts it, "Of all the federal agencies concerned with employment practices, the EEOC is plainly the worst — the most maddening, the most arrogant, the most inefficient. . . ." ●●

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## Anti-Crime Seminars Scheduled

**T**HE MOSLER Anti-Crime Bureau will hold four, two-day anti-crime seminars in 1979 for crime-prevention professionals in banking, commerce, industry, law enforcement, insurance, local, state and federal agencies and other fields.

The schedule includes April 11-12 in Washington, D. C.; May 23-24 in St. Louis; September 12-13 in Boston and October 24-25 in San Francisco.

Included in this year's program are illustrations of several new extortion schemes and safe and vault attack techniques devised by criminals. The new Underwriters Laboratories safe and vault classifications will be discussed.

An FBI agent will conduct the last session on kidnap/hostage and terrorism crises. An actual telephone extortion threat, recorded by the victim, will be played during this session.

For more information, contact Robert Rosberg, Mosler Anti-Crime Bureau, Hamilton, OH 45012.

who own fewer than 500 shares on the effective date of the plan would receive a cash payment of \$13.60 for each pre-split share, unless they elect to purchase sufficient shares to round up their holdings to 500-share lots. Additionally, any stockholder holding more than 500 shares would receive \$13.60 for each pre-split share not in a 500-share lot. Remaining fractional shares would be purchased by the HC's employee stock-ownership trust (ESOT).

The primary reason for the transaction, according to Earl H. Triplett, chairman and CEO, was to reduce Memphis Trust's regulatory and administrative expenses through reduction of number of stockholders, while concurrently increasing ownership percentage of Memphis Trust's employees. This transaction would not affect regulation of the company or its subsidiaries by bank regulatory authorities. Mr. Triplett emphasizes that no stockholder would be required to relinquish his equity position with the company, since each stockholder either may buy shares in the over-the-counter market or buy from the company after the stockholders' meeting (being held at press time) at the appraised price to round up their ownership to even multiples of 500 shares.

### Recapitalization Plan Presented to Shareholders Of Memphis Trust Co.

MEMPHIS — Memphis Trust Co., a registered bank HC, has asked stockholders to approve adoption of a recapitalization plan whereby the company's charter would be amended and each 500 shares of Memphis Trust's

outstanding common stock (par value \$5 a share) would become one share of common stock of Memphis trust (par value \$2,500 a share). Following completion of the transaction, authorized shares of common stock would be reduced from 2,000,000 shares to 4,000 shares.

Because no fractional share certificates are to be issued in connection with the reverse split, stockholders



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## Bank-Investment Tool

*(Continued from page 28)*

tration of trust assets and save legal bills in defending suits. What better proof of fiduciary responsibility could there be than employment of municipal bond insurance to protect trust assets? Portfolio insurance protection shelters the trustee from liability and usually at the expense of the trust!

Insurance is a new tool for bank investment officers that can be employed profitably to enhance portfolio return on a bank's municipal bonds, minimize its fiduciary liability, shelter it from default in this fast-changing period of municipal-credit deterioration and afford peace of mind. Bank officers who carry the responsibility of investment decisions, as well as their boards, should consider carefully how municipal bond insurance can be employed to the advantage of their banks — and for their protection! ●●

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The mini-library "is the best idea since daily compounded interest," wrote one satisfied California saver. "You can pinpoint at least one deposit of \$10,000 forthcoming from friends of ours — solely to use your books."

Other S&Ls are finding that scene repeated. In Houston, Home Savings reportedly opened up two new accounts of \$60,000 and \$40,000, respectively, to use the association's library.

Libraries in the thrift's 11 branches "have proved to be a valuable tool in building traffic for new branches as well as some of our less busy branches," says Dorothy S. Gauvin, senior vice president, Home Savings, Houston. "Home Savings is the only association offering this service in Houston, and the service has made quite an impact, with relatively little advertising to promote the libraries."

"We have had numerous new accounts as a result of the libraries — and this is a bonus for us since we set up the libraries primarily as traffic builders."

The key ingredient for a successful lobby library: current best sellers, which generally have a waiting list at local public libraries (one Texas librarian recommended an S&L as a book source — to the delight of association executives).

The service offered by the Ryan Co.



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This is first page of brochure published by Fidelity Homestead Assn., New Orleans. Brochure describes its Book Club and contains application in coupon form.

replaces less-popular books with current and future best sellers every month, thus keeping the lobby library

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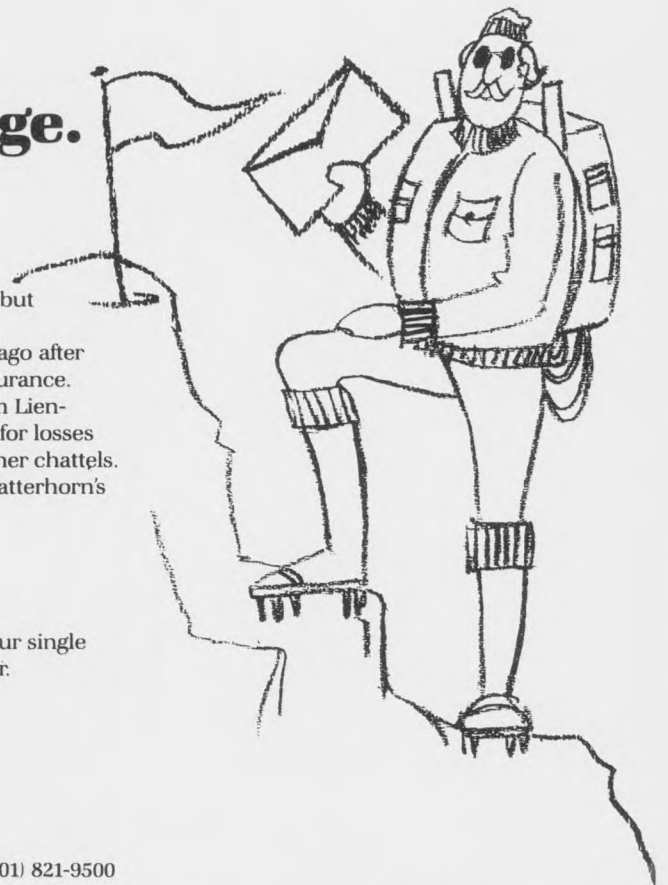
If you've gotten a lot of chatter — and little coverage — from your single interest insurance, it's time you talked to Matterhorn. They deliver.

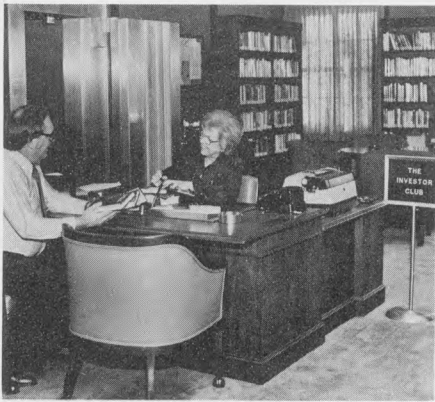
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At Home Federal Savings, San Diego, members of Investors Club can borrow books. Anyone with account of \$2,500 or more may belong to club. Home Federal provides "homelike" atmosphere for club members to browse for books. Also available: free coffee and current periodicals.

current. Ryan, operating out of Scottsdale, Ariz. charges a flat rate of \$90.35 a month for every 100 books; there is no initial setup charge.

Here's how the program works: A bank or S&L with a 100-volume library would receive 10 new books a month, selected from a list of authors, with protective jackets bearing the institution's name. The 10 books removed from circulation are returned to Ryan in the same boxes, mailed at the lower library rate.

To keep its inventory current, Ryan employs a reviewing service that reads manuscripts before publishing and then "predicts" which books will become best sellers. Thus, many times, lobby libraries receive books before they become best sellers, a marketing point few thrifts ignore. For especially popular best sellers — and to avoid the

waiting lists characteristic at public libraries — thrifts frequently order multiple copies of the same volume to fill demand.

Ryan offers "five good reasons why you'll benefit from a Savers Best Sellers library.

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ASSOCIATE EDITOR

# the NOW account

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BY RAOULE D. EDWARDS  
ASSOCIATE EDITOR

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Local banks are taking against the Fed's efficiency.

There should not be a goal for every member of the Fed. The Fed is a subordinated competitor.

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"3. Floor traffic undoubtedly will increase.

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Besides, Ryan points out, a lobby library uses only three feet of space. "That's the real beauty of this new service," the brochure tells prospective clients. "A three-foot wide, single-faced bookcase will hold as many as 125 books and a double-faced section obviously will hold twice that many.

"Most savings and loans find that a teller or new account representative can put in the minimal amount of time needed to manage the library, so you don't have to add special personnel." One California association reportedly has hired a full-time librarian.

Mini-libraries also enhance customer commitment to the institution. Says Bill N. Kinter, vice president of Home Federal Savings of San Diego: "Not only did it bring in new business, but it also contributes toward retaining existing customers."

Each S&L operates its library differently. Home Federal's, for example, is open only to Investor Club members, savers with a minimum \$2,500 deposit. Bryan Building & Loan Association, Huntsville, Tex., requires a \$12 annual fee. Others, such as Fidelity Homestead of New Orleans and Laguna Federal of Laguna Beach, Calif., offer the library to all savers.

Most associations lend books for one

week and charge 10¢ per day each is overdue, with fines given to charity at Christmas time.

Summarizes Barbara Young, manager, Coast Federal Savings office in Walnut Creek, Calif.: "We find the library has stimulated more foot traffic, thus increasing our business to a measurable degree. Our decision to include the Best Seller library as an additional customer service was indeed a wise one." ●●

### New First of Cincinnati Bldg. To Feature Mosler Equipment

First National, Cincinnati, has awarded Mosler Safe Co., Hamilton, O., a substantial contract to construct its new headquarters' vault and electronic security and materials distribution systems located at Fountain Square South.

The bank will be the principal tenant in the new high-rise tower being erected on the former site of the Gibson Hotel. When completed sometime in the latter part of 1980, the 26-story building will be known as First National Bank Center.

The Mosler contract includes an



Artists' rendering shows future Fountain Square South, new headquarters location for First National, Cincinnati. Mosler Safe Co. designed its materials distribution system and its security system, which includes closed-circuit TV, sensitive detectors and electronic-door controls.


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# Kansas Convention

Wichita, May 9-11

Headquarters — Century II Complex

## PROGRAM

**BUSINESS SESSION, 2 p.m., May 10**

Invocation

Address — GOVERNOR JOHN CARLIN

50-Year Club Inductions — LINTON C. LULL, president-elect, Kansas Bankers Association, and president, Smith County State, Smith Center.

ABA Elections — JOHN A. O'LEARY JR., president, Peoples State, Luray.

Address — "Parity for Bank Customers!" — A. A. "BUD" MILLIGAN, chairman, ABA Governing Council, president, Bank of A. Levy, Oxnard, Calif.

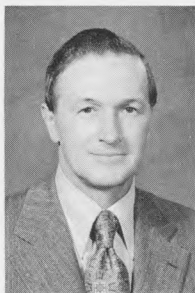
**BUSINESS SESSION, 9:15 a.m., May 11**

Installation of Officers and Regional Representatives.

Constitution — Adoption of amendments.

Adjournment.

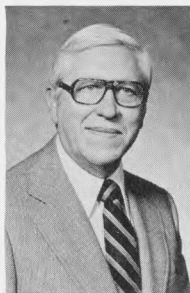
**President**



**HARTLEY**

KBA Pres. W. C. "Dub" Hartley is pres., Miami County Nat'l, Paola, which he joined in 1959 after having become a banker in 1947 at American Nat'l, Baxter Springs. Mr. Hartley also is e.v.p. and dir., MidAmerican Bank, Roeland Park, which he joined in 1959.

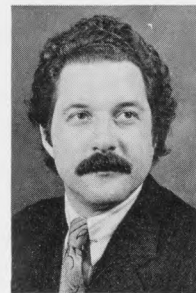
**President-Elect**



**LULL**

KBA Pres-Elect Linton Lull is pres., Smith County State, Smith Center, a title he has held since 1962. He joined the bank in 1952.

**Treasurer**



**SCHMIDT**

KBA Treasurer John C. Schmidt became a banker in 1964 at Exchange Bank of Schmidt & Koester, Marysville. He has been e.v.p. there since 1976.

## 'The Future Is . . .' Is Theme Of 1979 KBA Convention Planned for May 9-11

WICHITA — Although the theme for this year's KBA convention is "The Future Is . . .," some old favorites are included in the social events.

For instance, the men's golf tournament will begin at 7:30 a.m. May 9 at the Wichita Country Club, Wichita State and McDonald Golf courses. A luncheon is planned at the Wichita Country Club.

The future of some KBA conven-

tioners will find them on tennis courts at 8 a.m. May 9 at the Crestview Tennis Complex.

That night, at 6 p.m., a "The Future Is . . ." welcome party is planned at Century II Convention Hall. It will feature a buffet dinner and dancing to the tunes of the Newton Graber Band of Wichita.

On May 10, there will be four special luncheons. The "My Fair Lady" luncheon begins at 11 a.m., Crown Uptown Theater. At 11:30 a.m., the 50-Year Club will have its luncheon at the Wichita Club, Kansas State Bank Building. The Schools of Banking will

meet at noon at the Wichita Royale's poolside. The Young Bank Officers of Kansas (YBOK) will meet at 12:30 p.m., Wichita Club.

An all-convention party will be held May 10, beginning with a social at 6 p.m. in the Century II Convention Hall. Dinner will be at 7:30 p.m. there and entertainment will be in the complex's Concert Hall.

Featured will be Wes Harrison, known as "Mr. Sound Effects," Dink Freeman, a versatile story teller, and the musical group, Transition.

The all-convention breakfast will be held at 8:30 o'clock May 11 at the Broadview Hotel Ballroom. Kim Woods, of Morriss Massey & Associates, Boulder, Colo., will speak on "Marketing for Bank Wives."

On May 9, bankers' spouses will be treated to coffee and rolls at 9 a.m. and then may take buses to the shopping spree at Towne East Shopping Center. Luncheon will be at Kaleidoscope, Towne East Rotunda.

James Stanley, senior vice president, correspondent bank division, First National, Wichita, is convention chairman. Committee chairmen, all of Wichita, are:

*Welcome party* — B. A. Staats, vice president, Union National; *Thursday night entertainment* — Elaine Van Deventer, installment loan officer, City Bank; *50-Year Club* — R. O. Noller, president, Chisholm Trail State; *YBOK luncheon* — Jim Schoen, vice president, Twin Lakes State; *all-convention breakfast* — Robert Dool, vice president, Central Bank; *facilities/transportation* — Kyle Rhorer, vice president, Seneca State; *registration/budget* — William Crawford, vice president, Kansas State, and Vivian Igo, secretary-manager, Wichita Clearing House; *Thursday night social/dinner* — Kenneth M. Nohe, vice president, United American; *golf* — James T. Aronis, vice president, Fourth National; *schools of banking* — Richard J. Dreher, executive vice president, East Side Bank; *spouses' events* — Betty Bruns, vice president, National Bank; *tennis* — Lauren Kingry, assistant vice president, correspondent bank division, First National; and *publicity* — Frank Ransberger, assistant cashier, Southwest National.

■ FRANK L. CARSON III has been named assistant vice president, Mulvane State. He formerly was an installment loan officer and he will continue to work with installment loans and collections. He also is a bank director.

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## Forty Bankers Comprise KBA Governing Council

The KBA governing council is made up of the four top officers, three past presidents, two groups of regional representatives, six regional vice presidents, six one-year appointees, the trust division president, honorary (non-voting) members and advisory (non-voting) members.

For 1979, the following are members of the governing council:

**Officers** — president, W. C. "Dub" Hartley, president, Miami County National, Paola, and executive vice presi-

dent, MidAmerican Bank, Roeland Park; president-elect, Linton C. Lull, president, Smith County State, Smith Center; treasurer John C. Schmidt, executive vice president, Exchange Bank of Schmidt & Koester, Marysville; and chairman, Elwood Marshall, president, Home Bank, Eureka.

**Past presidents** — J. Rex Duwe, chairman, Farmers State, Lucas; J. R. Ayres, chairman, Citizens State, Mil-tonvale; and Floyd V. Pinnick, president, Grant County State, Ulysses.

**Regional representatives** (terms expire May, 1981) — Norman B. Dawson, president, Manufacturers State,

Leavenworth; Dean Daniel, president, First National, Coffeyville; Harlin L. Schram, chairman/president, Morrill & Janes Bank, Hiawatha; William W. Altman, president, Home State, Clearwater; Ronald R. Loudon, president, Citizens State, St. Francis; and James D. Herrington, chairman/president, Coldwater National.

**Regional representatives** (terms expire May, 1980) — Benjamin D. Craig, president, Metcalf State, Overland Park; Charles W. Wayman, chairman/president, Emporia State; Chester W. Oberg, chairman/president, Union State, Clay Center; Edward Costello, president, Tampa State; Roy Britton, president, Citizens State, Ellsworth; and Howard Hunter, president, Hutchinson National

**Regional vice presidents** (terms expire May, 1979) — David A. Nichols, president, Tower State, Kansas City; W. E. Oakes, president, State Exchange, Yates Center; Elmer F. Heiman, president, Baileyville State; Robert W. Asmann, executive vice president, Fourth National, Wichita; Jay L. Jelinek, president, Munden State; and Howard K. Loomis, president, Peoples Bank, Pratt.

**One-year appointees** (terms expire May, 1979) — Bill Lienhard, vice president, First National, Lawrence; Howard Gilpin, president, Iola State; Ed J. Rolfs, president, Central National, Junction City; Bob Brown, chairman/president, Home National, Arkansas City; John Peters, president, Farmers National, Osborne; and Fred L. Fair, president, Alden State.

**Trust division president** — Howard Gunkel, senior vice president/trust officer, Emporia State.

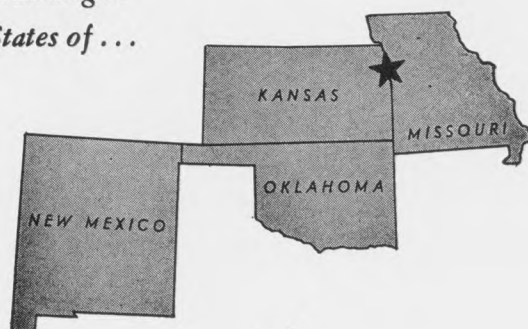
**Honorary members** (non-voting) — A. J. Collins, chairman, Hutchinson National; J. A. Mermis Jr., vice chairman, Security State, Great Bend; Burton Lohmuller, chairman, First National, Centralia; W. E. Lehmborg, chairman, McPherson State; and Oscar Brown, president, Farmers & Merchants, Hill City.

**Advisory members** (non-voting) — Dan Bonine, president, American State, Great Bend; Betty Jane Bruns, vice president, National Bank, Wichita; and Murry Lull, vice president, Smith County State, Smith Center.

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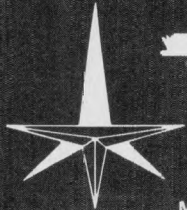
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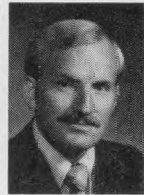


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■ **GARDEN NATIONAL**, Garden City, has opened its new building and 80-vehicle parking facility. It has four attached drive-through teller lanes and the front features a sunken garden opening into the lower bookkeeping area. The former main bank is being remodeled into a detached facility. The bank also has made the following promotions: LaVerne R. Schweder to vice president and cashier; Ray Purdy to assistant vice president and agribusiness officer; David W. Cutter to loan officer, from duties with the Farm Home Administration; Dakin Cramer to personnel officer, from duties with

General Motors Acceptance Corp.; Lola Morton to commercial loan services officer; Belinda Phillips to installment loan services officer; Marie Messerly, Mary Bender and Doris Zubeck to assistant operations officers; Henrietta Hawkins to manager, downtown facility; and Helen Bird to manager, Downtown Motor Bank.

■ **SOUTHGATE BANK**, Prairie Village, has promoted the following officers: Harvey G. Rogers to senior vice president from vice president; Rex N. Shewmake Jr. to vice president and trust officer from trust officer; Charles R. Brown to vice president/operations and T. Fred Wiman to vice president/installment loans, both from assistant vice presidents; and Charles W. Aldrich to assistant vice president from installment loan officer.

■ **EUGENE T. BARRETT JR.** has been elected chairman and William E. Mangold has been elected to the board, Kaw Valley State, Kansas City. Mr. Barrett formerly was vice chairman and Mr. Mangold formerly was with the accounting firm of Troupe, Whitaker, Kehoe & Kent.

### New Banking Commissioner

Roy P. Britton, pres. & CEO, Citizens State, Ellsworth, is Kansas' new banking commissioner, succeeding Emery E. Fager of Topeka. Mr. Britton retains his bank post, going to Topeka Monday through Wednesday each week and working in the bank the rest of each week. He joined Citizens State 27 years ago after having been an assistant national bank examiner, Comptroller of the Currency, for 3½ years.



Garden National, Garden City, has opened new two-story building to replace former main bank. Old facility will be remodeled into detached office.

## Dual-Control System

(Continued from page 32)

The *originals*, after payment, should be placed in the "paid" file and kept numerically for reference, the same as cashier's checks, bank money orders and other official items. Also, after payment, the second copies should be removed from the open file and stored numerically for possible future reference. The bookkeeper should run the nonpays at regular intervals (prefer-

# Welcome to Wichita



The Officers, Directors and Staff of the Kansas State Bank and Trust Company welcome you to Wichita and the KBA Convention. You are especially invited to tour our bank and see first hand the ultimate customer convenience services: "On-Line" tellers, Instant Statement, Combined Statement and our all new Automatic Transfer SMART-SAVER account plan. Also on display will be an outstanding selection of art presented by the Country Store Gallery, Austin, Texas.

**KANSAS STATE BANK  
AND TRUST COMPANY**  
Wichita, Kansas 67202

MEMBER F.D.I.C.

# BRUNCH with the BUNCH

Thursday, May 10  
10:30 A.M. - 1:00 P.M.  
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bly daily) for outstandings and for check with totals in the general ledger entries. A daily list should be maintained of issued and paid items showing CD numbers and amounts.

This same bookkeeper also may verify interest on CDs and adequacy of interest reserves, subject to an officer's review. The *third copy* simply can be a work copy. It should be filed in maturity sequence in the interest tickler to check and pay interest due. For convenience, this file may be kept in the cage where CDs are issued.

4. *Pre-audit of interest checks.* The teller's interest checks should be sent to the bookkeeper for pre-audit before they are presented to the designated officer for signature. *This provides the required dual control on such interest payments.*

5. *Redemption precautions.* CD payment should be safeguarded by the same type of precaution employed in cashing checks and bank money orders. This should include close scrutiny for validity, proper endorsement and possible alterations. If it is a large CD, an officer should okay it for payment. As with issuance, the customer should not take the CD or payment check to the officer. A bank em-

ployee should do that.

6. *Surprise proving.* In addition to periodic proving by the bookkeeper, a surprise proving of outstanding CDs at staggered intervals is highly desirable. This should be conducted by the auditor or by a bank employee other than the bookkeeper or issuing teller. This surprise proving should include a visit to the teller's cage for an inspection of the last CD number issued — to make sure that all CDs are accounted for. If this is not done, the general ledger can be okayed without knowledge of whether other CDs were issued without entry.

As with bookkeeping in general, there is no indisputably correct system of CD control. If your auditor-approved system is fitted to your bank's requirements and to the abilities of your personnel, no change is suggested. On the other hand, if you are seeking a system of CD control that combines minimum adaptation of operational procedures with maximum safeguards, we recommend these control-system principles. ••

#### KBA Nominees



WINTER



FAGER

Emery E. Fager, ch., Commerce Bank, Topeka, is nominee for KBA pres.-elect. Nominee for treasurer is Russell Winter, pres., State Bank of Santana. Mr. Fager helped found his bank in 1959 and was pres. until elected ch. in 1978. He entered banking in 1936 at Citizens State, Osage City. He recently left the post of state bank commissioner. Mr. Winter entered banking in 1940 at Haskell County State, Sublette. He joined his present bank in 1956 and was named pres. in 1958.

■ COMMERCIAL NATIONAL, Kansas City, has two new directors — Milton Silverman, president and CEO, Central Bag Co., Kansas City, and Francis E. Heydt, consultant/adviser to Glenn Berry Manufacturers, Inc., Dumas International, Inc., and Totibogi Sales, all of Commerce, Okla.

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Paul Richmond

Jim Stanley

Lauren Kingry

# These guys days are numbered... (and three are just for you...May 9, 10 and 11)

Wichita is pleased to host the 1979 KBA Convention May 9, 10 and 11. For over 100 years First National Bank has been an integral part of Wichita and the State of Kansas. During a lull in

the activities, stop in and visit our bank.

Jim, Paul and Lauren are looking forward to seeing you in our fair city.

See you soon.



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# Concurrent Workshops Planned For Texas Convention May 6-8

**B**ECAUSE OF the success of last year's concurrent workshops for bankers, the concept will be repeated at this year's Texas Bankers Association convention May 6-8 at the Tarrant County (Fort Worth) Convention Center.

The workshop themes will be non-return of checks, unmanned teller machines, a bank's role in urban revitalization, bank taxation, the 1979 legislative scene in Austin and the Financial Institutions Regulatory and Interest Rate Control Act of 1978 (FIRA).

Workshops will be held at 2 p.m. and again at 3:45 p.m. May 7 so that bankers may attend two out of six.

Texas Governor Bill Clements is the featured speaker at Monday morning's opening session. Also, officers will be elected at that session.

Names of other convention speakers were not available at press time.

Social events will include a progressive art museum buffet at 6 p.m. May 6. Registrants will tour the Amon Carter Museum of Western Art, the Kimbell Art Museum and Fort Worth Art Museum.

The all-convention banquet will be held May 7 at the Tarrant County Convention Center. Featured will be a pop concert by the Fort Worth Symphony Orchestra with dancing later.

Wives of bankers will have a choice of four tours: two shopping tours; Fort Worth Japanese Gardens and Historic Northside Fort Worth (which includes stockyards and Old Western-style buildings and wooden sidewalks).

The convention will be adjourned after the Tuesday morning, May 8, business session. ●●

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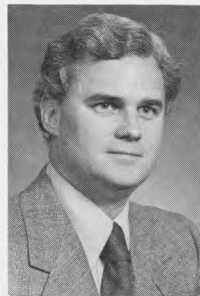
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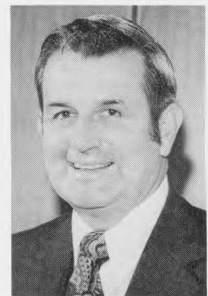
**TBA Officers, 1978-79**



LANE



DUFFEY



CHEEVER

Charles E. Cheever Jr. has served as president of the Texas Bankers Association the past year. He entered banking in 1953 and joined Broadway National, San Antonio, in 1957. He advanced to president, his present title, in 1961. Mr. Cheever was vice president last year, a TBA director for two years and chairman of its mortgage finance committee.

Also, he is a faculty member of the Southwestern Graduate School of Banking at SMU, Dallas.

Mr. Cheever, a 1949 West Point graduate, holds a law degree from the University of Texas Law School. He is

a member of the Texas and San Antonio Bar associations.

R. M. Duffey Jr. is the TBA's vice president. He entered banking as a director at Pan American Bank, Brownsville, in 1967. He was elected executive vice president in 1971, when he joined the bank full time. He was named chairman/president/CEO in 1978.

The TBA's treasurer is Robert B. Lane. He entered banking in 1963 at First National, Dallas. He was named chairman of Clifton Bank when he joined it in 1968. In 1977, he was named the bank's president.

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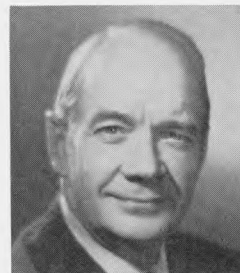
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This human resource has made the First the largest bank in the Texas Panhandle by a 100 million dollar margin. With a deposit base exceeding 400 million dollars and a total loan

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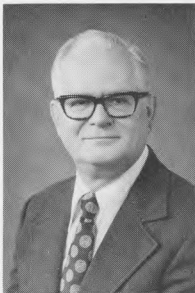
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# NEWS

## From the Mid-Continent Area

### Alabama

■ **FIRST ALABAMA**, Montgomery, has announced the following promotions: Edward Herbert to executive vice president from first senior vice president, Robert W. Dick to assistant trust officer and Elizabeth I. Poole to assistant branch manager.



HERBERT



BAKER

■ **JOSEPH H. BAKER JR.** has been promoted to executive vice president and Donald Andress has been promoted to vice president, First National, Mobile. Mr. Baker has been head of the trust group since 1975. Mr. Andress is manager, Office Park Plaza Branch.

■ **LEN B. SHANNON** has been promoted to executive vice president and chief operating officer, Central Bank, Birmingham. Mr. Shannon, who joined Central Bancshares, the bank's parent HC, in 1974 as a senior vice president/marketing, will have responsibility for the bank's day-to-day operations.

■ **MERCHANTS NATIONAL**, Mobile, elected the following officers: Peter P. Gaillard and W. Bibb Lamar to vice presidents; Benny G. Ingram, Jarred R. Powell and Kenneth J. Skipper to assistant vice presidents; Joseph A. Dvorak and Linda M. Pettis to assistant cashiers and Peter C. Sherman and Deborah C. Baker to assistant trust officers.

■ **BILL L. HARBERT** has been elected to the board, Birmingham Trust National. He is president and director, Harbert Construction Corp.

■ **FIRST NATIONAL**, Birmingham, has promoted the following to assistant

cashier: William H. Diehl, also a commercial loan officer; Adrienne M. Edwards, main office lobby; Carole T. Frawley, also branch manager, Brookwood Mall; and Gary Webber, proof department. Other position changes are C. Pratt Rather Jr., vice president, named manager, Vestavia Office; Ernest R. Stewart, assistant vice president, named manager, Trussville Branch; John N. Balbanos, assistant cashier, named manager, John C. Persons Branch; and A. Brian Crawford, assistant cashier, named Crestline Branch manager.

■ **DEBBIE HIGGINS** has been promoted to vice president and Kathy Brothers has been made cashier, Exchange Bank, Attalla. Mrs. Higgins joined the bank in 1967 and Miss Brothers, a former assistant cashier, joined it in 1969.

### Arkansas

■ **BERT PARKE** and George G. Worthen have been elected to the board, Worthen Bank, Little Rock. Mr. Parke is president, Democrat Printing & Lithographing Co., Little Rock, and Mr. Worthen is a vice president and commercial loan officer at the bank.

■ **CITY NATIONAL**, Fort Smith, has elected Franklin Hawkins, Jack W. Mynett and J. L. Swink to the board. Mr. Hawkins is co-founder of Hawkins Co., an air conditioning business; Mr. Mynett is founder and president of his own Dallas-based management consultant firm; and Mr. Swink, of J & J Enterprises, is a former advisory director.

■ **MICHAEL E. HAGEN** has joined Commercial National, Little Rock, as auditor. Before joining the bank, he was employed as a senior auditor, Price Waterhouse & Co., Little Rock. Mr. Hagen is a certified public accountant.

### Illinois

■ **FIRST NATIONAL**, Alton, has elected John J. Gainer senior vice president. He also serves as a member and secretary to the board and execu-

tive committee. Additionally, Leo E. Thompson has been named vice president and trust officer, and K. Janeen Fox and Sharon A. Wilson have been elected assistant cashiers.

■ **FIRST NATIONAL**, Ottawa, has made the following promotions: Howard E. Jameson to president and director; Ralph H. Claus to senior vice president; William F. Sanders to vice president and cashier; George J. Spiros to vice president and trust officer; Robert O. Engels to vice president and also serves as manager, consumer loan department; Conrad J. Hanley to vice president; Kenneth W. Wyatt to vice president and also is manager, farm department; Donald L. Grubaugh to assistant vice president; and Michael Vaughn to assistant vice president and also serves as auditor. New assistant cashiers are Geraldine Nangle, Carol Collins and Joanne McLachlan. In other action, the bank held a retirement party to honor more than 120 combined years of service by John E. Miller, retiring president; John L. Rose, retiring vice president and trust officer; and Patricia Flanagan, assistant cashier. All three joined First of Ottawa in 1931.

■ **JOHN NELSON** has been made assistant cashier and agriculture representative, and Doris Tempel has been promoted to assistant cashier, Exchange State, Lanark. Mr. Nelson formerly was with Kewanee National as an agriculture loan officer. Mrs.

#### New IBA Division Officers

CHICAGO — Gerald Feezor, president, Peoples Bank, Marion, has been elected president of the Illinois Bankers Association's marketing and public relations division.

Other newly elected officers are: first vice president, Dennis McMullan, executive vice president, Bank of Carlock, and second vice president, James Fitzgerald, vice president/marketing, Champaign County Bank, Urbana.

Executive committee members who will serve until 1982 are Alvin Blasco, vice president, Union National, Streator, and Mose Peine, president, First Farmers State, Minier.



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But more than that you look directly to your banker for help. He's your personal key to opening the services that correspondent banking has for you to profit from. He has to know your territory like you do, be aware of your special needs and he's got to be there when you need him — with the answer.

Jim Montgomery has over 20 years experience as a correspondent banker in southern Illinois. Phil Isbell has worked with Jim for the past fifteen years. They know the land. They know the people. They know how to make correspondent banking with us work for you. Ask around. A lot of southern Illinois bankers already know Jim and Phil, shouldn't you?

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Tempel will be working with installment loans and has been with the bank for seven years.

■ **WILLIAM A. RICHARDS** was promoted to president, succeeding Walter J. Charlton, First Trust, Kankakee. Mr. Charlton assumes the position of chairman. Mr. Richards joined the bank in 1955 and also serves as president and director, Micro-Data Corp.; director, Farmers State, Lasant; and director and member of the executive committee, Electronic Funds Illinois.

■ **LOREN E. LUDWIG**, vice president, cashier and assistant trust officer, Woodford County Bank, El Paso, has retired after 43 years of service. He started his banking career as a bookkeeper-teller, El Paso National, and worked his way up when the bank merged with Woodford County Bank in 1968.

■ **CONTINENTAL BANK**, Chicago, has elected the following vice presidents: John C. Gaylord, bond and money market services; John J. Quigley, Alfred W. Bowman Jr., Patrick M. Goy and Bettina M. Whyte, commercial banking services; Merrill Bothamley and Robert W. Pelka, financial services; Frederick L. Cullen, general banking services; Mark K. Blackmann III and Joseph A. Yuska, international banking services; Vello Saarva, multinational banking services; N. Bruce Callow, Jon F. Holsteen and Richard A. Powers, trust and investment services; Robin E. Thomas, London, commercial banking services; George R. Prince, Amsterdam, international; Eberhard Cleff, Frankfurt, multinational; and Richard L. Sted, Tokyo, multinational.

■ **ARTHUR J. BILEK** has been elected vice president and director of security, First National, Chicago. Previously, Mr. Bilek served as corporate security director for several Chicago-based corporations and was corporate vice president for government relations, Pinkerton's, Inc., a major security service.



LAUGHLIN



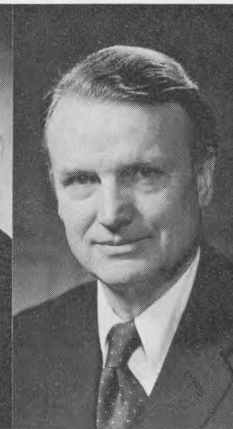
FINCKE



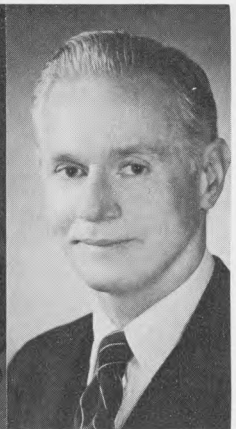
SMITH



STAUB



SWEET



BARROW

■ **EDWARD BYRON SMITH**, chairman, Northern Trust Corp. (parent HC of Northern Trust Co., Chicago), has relinquished his position and has been elected chairman of the HC's executive committee. E. Norman Staub succeeds Mr. Smith as HC chairman and CEO and continues as bank chairman. Philip W. K. Sweet Jr. continues as president of the HC and the bank. In other action, the corpora-

tion's board filled two vacancies (one for Lindsey Hopkins, who retired, the other for John A. Barr, who died) by electing William A. Pogue and Charles H. Barrow. Mr. Pogue is a senior vice president and a director, Chicago Bridge & Iron Co. Mr. Barrow is a senior executive vice president, Northern Trust Corp. and Northern Trust Co., and a director of the bank.

■ **LOUIS G. LAUGHLIN** has been appointed vice president, Illinois State Trust, Belleville, with responsibilities for investment management. He formerly was manager, investment advisory department, St. Louis Union Trust.

■ **EUGENE E. FINCKE**, retired senior vice president, chief loan officer and member of the executive committee, Mercantile Trust, St. Louis, has been elected to the board and executive committee, Belleville National Savings. He had been associated with Mercantile for 47 years at the time of his retirement.

■ **JULES V. MEYERING JR.** has been promoted to senior vice president/trust department, Elmhurst National. He started his banking career in 1955 and was with Michigan Avenue National, Chicago, before joining Elmhurst National in 1973. In other action, the bank promoted the following to assistant vice presidents: Lee C. Bortles, operations; Arnold E. Bruns, trust; Deanna J. Edwards, operations; Thomas F. Franklin, marketing; and Janice E. Kinzel, installment loans. Darlene Edwards has been elected an assistant cashier and Betty J. Eide has been elected a trust officer.

## Indiana

■ **MICHAEL W. MCGATH** has joined First Bank, South Bend, as assistant vice president/commercial banking department, and Robert J. DeCola has been promoted to assistant vice president. Mr. DeCola is manager, Maple Lane and Thrift-Mart branches.

■ **ROBERT M. KUNTZ** and Micheale Ventruella have been promoted to assistant vice presidents/retail banking division. Mr. Kuntz currently is manager, Fairfield Office, and Miss Ventruella currently is manager, West State Office.

## Kentucky



NIXON

■ **GOVERNEUR H. NIXON** has been elected to the board, Liberty National, Louisville. He is president and chairman, D. D. Williamson & Co., Inc., a supplier to the food and beverage industry.



■ DONALD P. ZIVITZ has been named vice president, First National, Louisville. He had been with Churchill Mortgage Corp.

■ LOUISVILLE TRUST has announced the following assistant treasurer promotions: Helen G. Hamilton, loan administration division, and Louise B. Stewart, retail banking group.

■ THOMAS P. O'DELL, trust officer and general counsel, has been promoted to vice president, Citizens Bank, Elizabethtown. He previously had been in private law practice.

■ AMERICAN NATIONAL, Newport, has elected the following assistant cashiers: Laura Bradley, note department; Rose Mary Wells, customer records department; and Dennis Yeager, operations.

## Louisiana

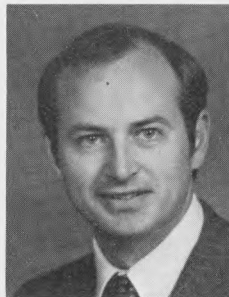


SCHAUB

■ DAVID H. SCHAUB has joined New Orleans Bancshares, Inc., and Bank of New Orleans as vice president and house counsel. Mr. Schaub has had experience as counsel to the Comptroller of the Currency, Washington, D. C., and as an attorney with a New Orleans law firm.

■ HIBERNIA NATIONAL, New Orleans, has made the following officer changes: Harriet E. Kensla, vice president, to business development and customer service manager, up-town area; Anthony J. Serio, assistant vice president, to Lakefront Zone manager, including supervisory responsibilities for Crowder Road, East Orleans, Lakefront and Canal Boulevard offices; David Wogan, commercial officer, to manager, One Shell Square Office; Michael P. Casey, assistant vice president, to manager, St. Charles Avenue Office; and A. Vance Barbay Jr., commercial officer, to manager, Canal Boulevard Office.

## Mississippi



ROBINSON



BARNETT



GARRAWAY

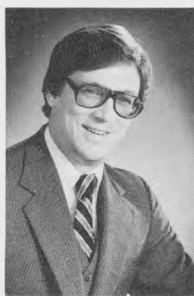


CLARK

■ AS PREVIOUSLY announced in the February issue of MID-CONTINENT BANKER, J. H. Hines, chairman and CEO of the bank and its HC, Deposit Guaranty Corp., Jackson, plans to retire as bank chairman and CEO July 1. He will remain chairman and CEO of the HC until December 31. Succeeding him in his bank post in July will be John P. Maloney, currently board secretary, general counsel to the bank and HC president. Succeeding Mr. Hines in his HC post on January 1, 1980, will be Warren A. Hood, currently chairman, HC executive committee. Other top-management changes, to be effective July 1, are: Julian L. Clark, bank president and chief operating officer,

to bank board vice chairman; Robert C. Garraway, bank board vice chairman-financial, to chairman, HC executive committee, and director, bank's asset/liability management committee; E. B. Robinson Jr., bank executive vice president, to bank president and chief operating officer; and Robert G. Barnett, assistant general counsel and HC board secretary, to general counsel to the bank and secretary to the bank board, continuing as secretary of the HC board. In other action, Mr. Robinson has been elected president, Dealer Bank Association, whose membership is made up of banks that actively underwrite and distribute federal, state and municipal securities.

## Missouri



PAPA



KEMPER

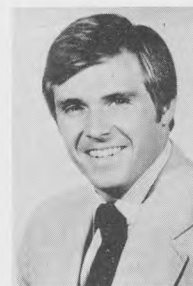
■ COMMERCE BANK, Kansas City, has announced six officer promotions: Laura L. Kemper, director of marketing, to vice president; Thomas G. Papa to vice president/metropolitan division; D. Michael Brixey to vice president/correspondent banking department; John G. Henderson to vice president/bond department; Rose Marie Frank to assistant vice president/national division; and Anthony Paugoulatos, assistant vice president/bond department.

■ FIRST NATIONAL, St. Louis, has elected Calvin H. East vice president

with responsibility for managing Financial Computing Corp. (FCC), a bank subsidiary. These assistant vice presidents have been named: Larry N. Laminger, FCC marketing activities; C. Vernon Fites, a former bond investment officer; and Jeffrey N. Miller and Paul E. Rigby, both former commercial banking officers.



EAST



GREEN

■ STEPHEN R. GREEN has been elected vice president, Manufacturers Bank, St. Louis. He will have responsibilities for commercial and correspondent banking in the St. Louis metropolitan area, eastern Missouri and southern Illinois. He is a former assist-

### Bank Management Officers

ST. LOUIS — Harley Schwering, chairman and CEO, Manufacturers Bank, has been elected president, Bank Management Association, St. Louis.

Other newly elected officers are Quinton Keller, president, Lemay Bank, first vice president; Alfred R. Naunheim, chairman, president and CEO, Charter Bank, Jennings, second vice president; Gerald W. Schoor, president, Landmark Bank, Creve Coeur, treasurer; and Robert C. Wolford, executive vice president, St. Louis County Bank, Clayton, secretary.

ant vice president, Mercantile Trust, St. Louis.

■ **MERCANTILE TRUST**, St. Louis, has promoted four officers to assistant vice presidents: Dorothy J. Clark, Peter C. Malecek, George L. Dixon and William F. Lippmann.

■ **RICHARD C. KING**, vice chairman and chief administrative officer, and Frank R. Terry, executive vice president, have joined United Missouri Bank of Kansas City's management committee, which also is composed of other bank division heads. The six-man team reports to the bank chairman and CEO, R. Crosby Kemper, about personal and commercial customers.

■ **ROBERT A. HEADY** has been elected assistant vice president, First National Charter Corp., Kansas City, parent HC of First National, Kansas City. Mr. Heady is a former comptroller of the bank, the HC's largest affiliate. He will assume accounting responsibilities for the HC's insurance and mortgage subsidiaries.

■ **LAWRENCE D. ABELN** has been promoted to senior vice president and comptroller, St. Louis County Bank, Clayton. He will be responsible for the operations and data processing departments.

■ **ROBERT H. HACKLEY** has been elected chairman, Bank of Crane. The bank also has reported its year-end total assets were at an all-time high of \$21,247,446, an increase of nearly \$3 million over last year's assets. The bank will be 75 years old in September.

## New Mexico

■ **JOHN J. LOVELL JR.**, executive vice president, New Mexico Bank, Hobbs, has been elected president and CEO, Santa Fe National. He succeeds William C. White, who asked to be relieved of his post to pursue matters relating to the bank's expected growth.

■ **FIRST NATIONAL** of Dona Ana County, Las Cruces, held a special presentation to honor Chairman Frank O. Papen's 25th leadership anniversary. Mr. Papen formerly was a director, president and CEO. The presentation, made by Charles N. Haner, president, depicted the bank's growth and that of Dona Ana County and Las Cruces since 1953.

■ **FIRST NATIONAL** of Rio Arriba, Espanola, has announced five promotions: G. Kenneth Brashar to chairman, CEO and president from president and trust officer; Darol Froman to chairman emeritus; Roy E. Huddle Jr. to executive vice president from senior vice president and branch manager; Donna Miller to trust officer from assistant trust officer; and Delton Norris, cashier, to manager, Oñate Office.

■ **BILLIE JO DIVIS**, personal banking department, and D. Duke Powell, installment loan department, have been promoted to vice presidents from assistant vice presidents, Security National, Roswell. Linda N. Diggs has joined the bank as assistant vice president/secretary to the president.

### Loan Loss Seminar



About 150 bankers from New Mexico attended a Robert Morris Associates local chapter seminar to learn how to minimize bankruptcy loan losses. Panelists of this session were (from left) Edward E. Pace, v.p., First Nat'l, Albuquerque, group chairman; Charles P. Price, Sutin, Thayer & Browne; and Richard Griego, a.v.p., First Nat'l. The Albuquerque seminar was one of several programs for commercial loan and credit officers in the state prepared by RMA.

## Oklahoma

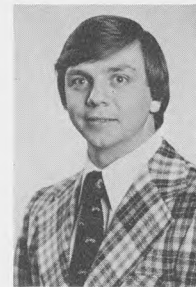
### New Bank for Moore

The Comptroller of the Currency, Washington, D. C., has given approval for a new national bank to be located in Moore.

Capital and surplus of the new bank are \$1.2 million, and it is to be located at the corner of Southeast Fourth and Eastern.

The bank's organizers are local businessmen, and architects are completing plans for a new building to house the bank.

■ **DENNIS JETT** has been named vice president/correspondent department, United Oklahoma Bank, Oklahoma City. He has been in the banking field for eight years.



JETT

■ **BANK OF OKLAHOMA**, Tulsa, has named three new officers: Steven E. Area, specialized lending; Sarah A. Lorentz, bookkeeping; and Richard W. Weyand, commercial real estate.

■ **PIONEER SAVINGS**, Tulsa, has elected its corporate officers: A. J. "Tony" Di Geronimo, president and CEO; Don E. Vale, executive vice president; Ron Dobbins, chairman.

■ **TODD P. WARD** has been elected president and CEO, Village Bank, Oklahoma City. He replaces Thomas L. Legan, who resigned. Mr. Ward formerly was executive vice president.

■ **JOE C. ROARK** has been promoted to vice president and Randall C. Burns has been promoted to assistant cashier and credit officer, Central National, Enid. Mr. Roark has been with the bank since 1974. Mr. Burns' new duties will be in the loan administration department.

## Tennessee

■ **JOHN O. ELLIS** has been promoted to executive vice president from first vice president, Third National,

MID-CONTINENT BANKER for April, 1979

Nashville. Edward Anderson has been promoted to assistant vice president.

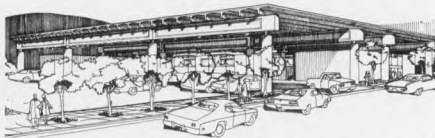
■ **W. NEILL FOX** has been elected vice president/real estate group, First American National, Nashville. Before joining the bank, Mr. Fox was with United American, Memphis.

■ **SUE D. PITTMAN** and Thomas S. Weaver Jr. have been promoted to assistant vice presidents, Nashville CityBank. Mrs. Pittman will continue her duties in the investment department; Mr. Weaver will continue as director, business development.

■ **UNION PEOPLES BANK**, Clinton, has promoted the following officers: Joe N. Irwin to executive vice president/banking administration; W. Hayden Evans to vice president/marketing, trust, personnel and special services groups; and Beatrice Worthington to manager, Norris Office.

## Texas

■ **FORT WORTH NATIONAL** has announced plans to construct a 28-lane facility that will occupy a full block at the gateway to the downtown area, just north of Interstate 30. The present motor bank, directly across the street from the bank building, will continue to operate, increasing the number of available service lanes to 39. The new facility is expected to be the first motor bank in the city to be located on a site remote from a main bank building.



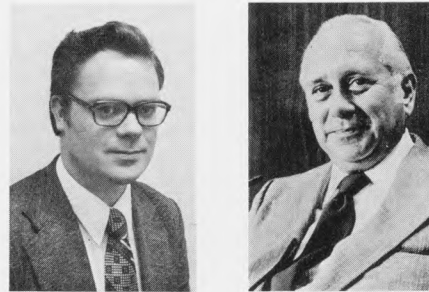
Fort Worth National's new 28-lane drive-in facility will be constructed at gateway to downtown area. It is expected to be city's first motor bank located away from main bank building.

■ **WILLIAM R. GALL** has been selected to head a new marketing and public affairs department at Republic National, Dallas. A 12-year bank veteran, Mr. Gall is a senior vice president and member of the executive committee. In addition, W. Humphrey Bogart and Robert McKenzie have been promoted to senior vice presidents. Mr. Bogart will head the pension, profit-sharing and executive home sales division. Mr. McKenzie will serve as trust counsel and manage legal



McKENZIE BOGART GALL

and tax functions and businesses in the trust group.



HANSEN SCHUMANN

■ **BANK OF THE SOUTHWEST**, Houston, has made the following promotions: Rene H. Hansen to vice president/international banking; Robert L. Schumann to vice president/personal banking; and these assistant vice presidents — James P. Caffrey, correspondent banking; David N. Hicks, funds processing; Claude R. Markham, Southwest corporate; and Ronald L. Miller, international banking.



SNYDER

■ **WILLIAM E. SNYDER** has been appointed chairman, correspondent banking section, Texas Bankers Association. Mr. Snyder, who heads that operation at Amarillo National, will serve a one-year term and act as member, TBA board and legislative committee.

■ **FIRST CITY NATIONAL**, Houston, has made the following officer promotions: Michael D. Williams to executive vice president, chief financial officer and manager/finance division; Richard Armstrong, real estate and mortgage banking department,

and Kenneth B. Smith, investment division, to vice presidents; E. Michael Gatewood, vice president, to manager/retail banking department; Randall E. Meyer, vice president, to manager/national department; George R. Jenkins, manager/compensation and benefits, employee relations department, and Herman Jordan III, manager/government bond department, investment division, both to vice presidents; Thomas Martin to assistant vice president/administrative division; and Richard N. Fredette to assistant vice president and trust officer.

■ **LAWRENCE A. HORNSTEN** has been elected to the board, First City National, El Paso. He joined the bank in 1978 as a senior vice president/commercial lending division.

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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.** What is the maximum rate of interest that may be paid by a member bank on governmental-unit time deposits of less than \$100,000?

**A.** Maximum rates payable on governmental-unit time deposits are set in sections 217.7(a) and 217.7(d) of Regulation Q. There is no maximum interest rate presently prescribed for any time deposit of \$100,000 or more. Governmental-unit time deposits of less than \$100,000 are limited to the highest of any of the permissible rates that can be paid on time deposits under \$100,000 with maturities in excess of 26 weeks by any federally insured commercial bank, mutual savings bank or savings and loan association. The highest permissible rate now is 8% per year. In addition, governmental units may purchase money-market certificates of deposit at the prevailing rate. Time-deposit definitions are given in sections 217.1(c) and 217.1(d). Also, money-market certificates must conform to provisions of section 217.7(f), which require a 26-week maturity. Any governmental-unit time deposit redeemed prior to maturity, in whole or part, is subject to penalty for early withdrawal.

**Q.** What is the effect of the March 15, 1979, amendments to Regulation Q on money-market certificates of deposit?

**A.** Effective March 15, 1979, Regulation Q and corresponding regulations of other federal regulators of financial institutions were amended to prohibit compounding of interest on money-market certificates of deposit issued on or after the effective date. The amendments

limit the annual rate of return that thrift institutions may pay on the certificates to the discount rate on the most recently issued six-month treasury bill, when the discount rate is 9% or higher. When the discount rate is between 8¾% and 9%, thrift institutions are limited to a maximum of 9%. When the discount rate is 8¾% or less, thrift institutions may offer the certificates at ¼% above the discount rate. Also, the amendments require that any advertisement, announcement or solicitation relating to money-market certificates shall include a clear and conspicuous notice that federal regulations prohibit compounding of interest during the term of the deposit.

**Q.** What are the present record-retention requirements of Regulation Z?

**A.** All evidence of compliance with Truth-in-Lending requirements, dating from July 1, 1969, other than advertising requirements, shall be retained until the banks' administrative authority has completed one examination for compliance with Truth-in-Lending subsequent to adoption of a statement of enforcement policy, and a period of not less than two years has elapsed from the date that disclosure was required to be made. Federal regulatory agencies recently adopted a joint notice of statement of enforcement policy for the Truth-in-Lending law, Regulation Z. Questions about whether the recent compliance examinations were conducted before or after the effective date of the enforcement policy should be directed to the bank's primary federal regulatory authority.

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*Phil Setterlund (left) and Vic Granda specialize in check processing.*

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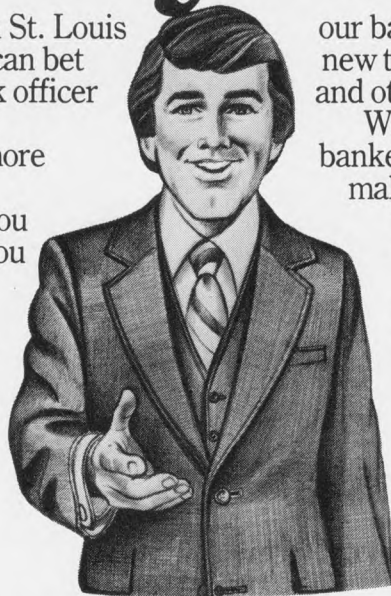
# What you see.

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And if you need to see him more frequently, you will.

Of course, he's available to you by phone almost every day. So, you can get fast, on-the-spot service whenever you need it.

Your First National Banker really knows his business—and how it can help your business. He'll keep you up-to-date on all



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We also offer your bank the services of our skilled data processing team. They can bring to your operation reliable and sensible systems for getting your work done.

Our capacity for overline lending, based

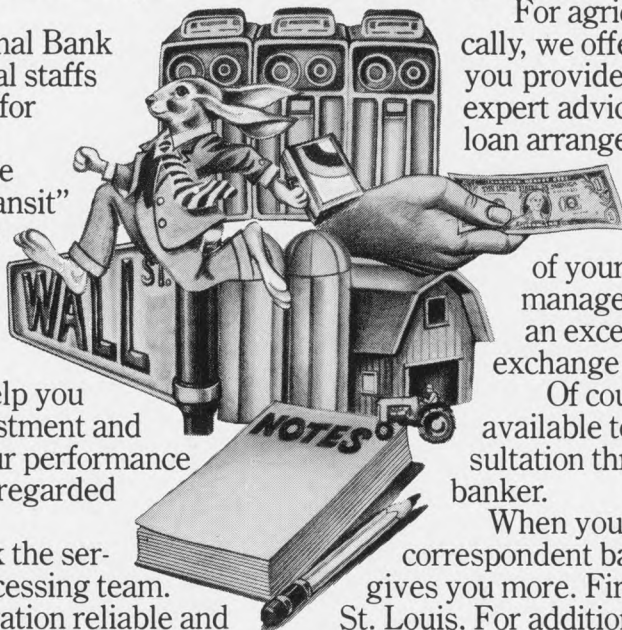
on our sizable assets, allows you the opportunity to make larger loans than you otherwise might.

For agricultural loans specifically, we offer specialists who can help you provide your customers with expert advice as well as flexible loan arrangements.

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