MID-CONTINENT BANKER

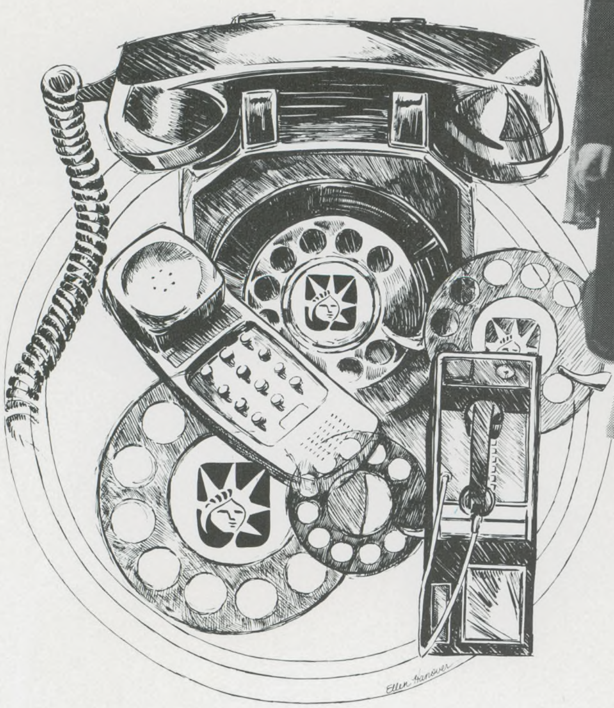
(ISSN 0026-296X)

The Financial Magazine of the Mississippi Valley & Southwest

FEBRUARY, 1980

Installment Lending

The Resource That's Never Out of Reach— Liberty Professionals.



Original pen and ink by Oklahoma artist, Ellen Hanover, commissioned by Liberty for the series "Art in Business."

Problems don't fit a schedule. They can happen at inopportune times. Our correspondent banks, however, don't have to wait for one of Liberty's correspondent banking officers to arrive. They can pick up the phone and talk to one of the capable women pictured here. Each is dedicated to step-by-step problem solving — the mark of the true professional.

They are able to fulfill promptly a wide range of needs from Wire Transfer and cash letter problems to handling note payments, note disbursements and transactions in Federal Funds. They are also knowledgeable about other Liberty departments and can provide immediate response from any area of Liberty.

That's why our correspondents are never out of reach with Liberty's billion (plus) resources and **the resource no other bank can give you — Liberty Professionals.**

LIBERTY

THE BANK OF MID-AMERICA

P.O. Box 25848 / Oklahoma City, Oklahoma 73125 / 405/231-6281

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With this complete promotional package, you can put your own Christmas Club to work — starting *now*! Let us show you the materials you need for success in your business building — because that's what all these Christmas Club products do for your institution — new accounts, new deposits, the astonishing cross-sell that a Christmas Club delivers: checking, for instance — loans — time savings... Just write or call toll free and ask for Ms. Renée Brett: (800) 523-9334 New York, New Jersey, Maryland, Delaware; (800) 523-9440 all other states except Pennsylvania; (215) 258-6101 Pennsylvania residents.

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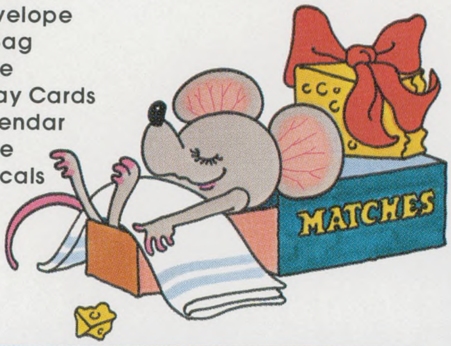
- Shopping & Christmas Card List
- Application Form
- Outlook Envelope
- Shopping Bag
- Teller Badge
- Easel Display Cards
- Pocket Calendar
- Radio Jingle
- Window Decals

The children were nestled all snug in their beds.

Not a creature was stirring... not even a mouse



Exclusive

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2. Glass Beaded Candle—Santa on skis calling out to all his reindeer by name. 5" high frosted candle.
3. Santa's Helpers—These six assorted flocked ornaments are 4" high whimsical helpers.
4. Mouse in a Bag Bank—This flocked mouse sticking its head out of the cloth sack is a unique bank.
5. Memo Board — "The children were nestled all snug in their beds" on 8½" × 11½" wipe clean board with attached pen.
6. Coloring Book — "Twas The Night Before Christmas" reproduced on 24 pages for youngsters to color.

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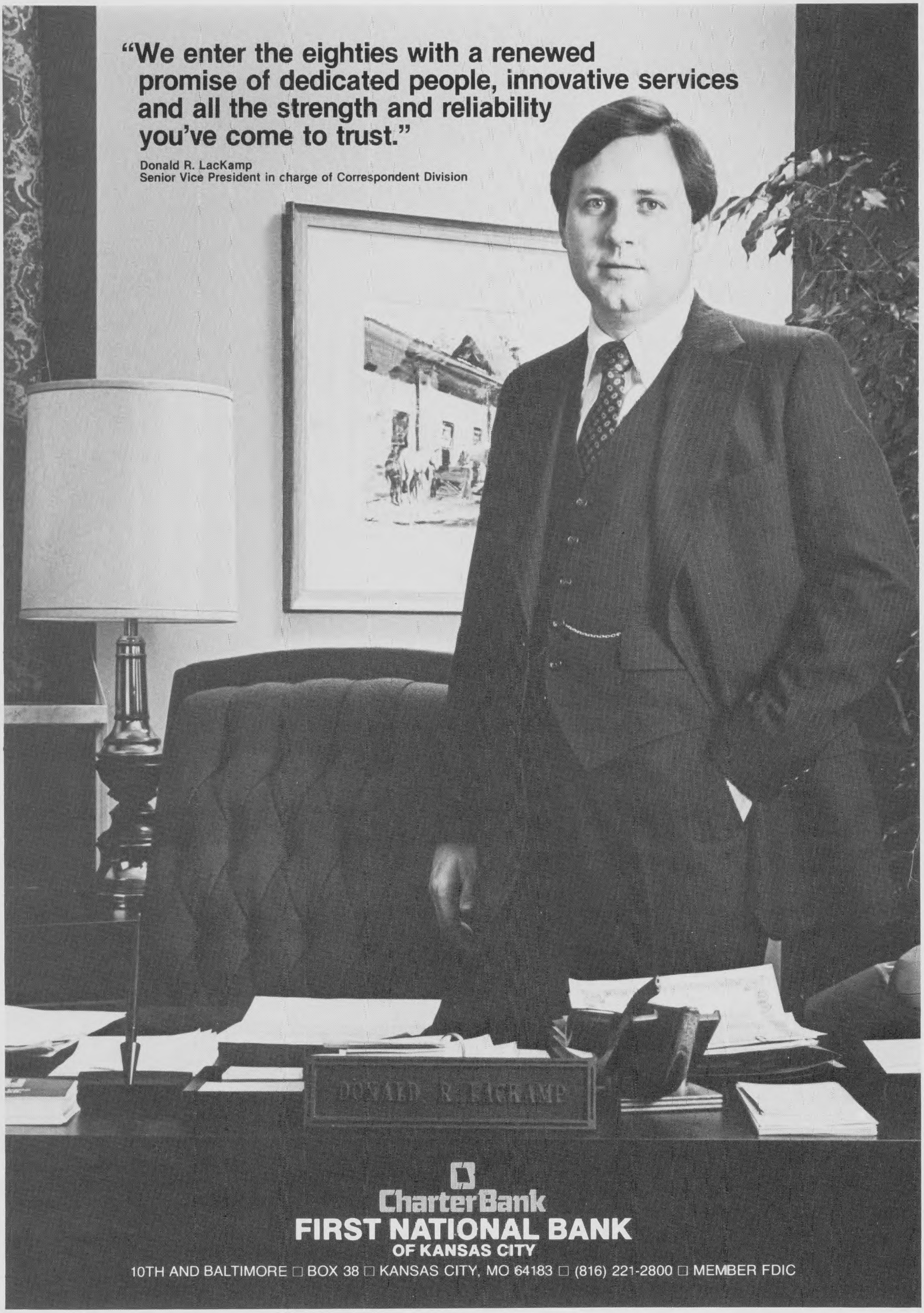

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Senior Vice President in charge of Correspondent Division
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MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

Volume 76, No. 2 **February, 1980**

FEATURES

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Convention Calendar

February 19: Consumer Bankers Association Electronic Funds Transfer Compliance Seminar, Chicago.

Feb. 19-22: ABA Bank Investments Conference, Los Angeles, Los Angeles Bonaventure.

Feb. 21-24: 40th Assembly for Bank Directors, Palm Springs, Calif., Canyon Hotel Racquet & Golf Resort.

March 2-4: ABA National Credit Conference, Atlanta, Hyatt Regency.

March 2-5: National Automated Clearing House Association Annual Conference, Phoenix, Adams Hotel.

March 9-11: ABA "How To" Secondary Mortgage Workshop, Kansas City, Crown Center.

March 9-12: ABA Trust Operations/Automation Workshop, New Orleans, Fairmont Hotel.

March 9-12: Bank Marketing Association Marketing Research Conference, Miami, Omni International Hotel.

March 9-13: Independent Bankers Association of America Annual Convention, San Francisco, San Francisco Hilton.

March 9-14: ABA National Consumer Compliance School, Norman, Okla., University of Oklahoma.

March 12-14: Bank Administration Institute Check Processing Workshop, Kansas City, Crown Center Hotel.

March 13-14: Robert Morris Associates Loan Portfolio Management Workshop, Houston, Houstonian Inn.

March 16-18: ABA National Credit Conference, Atlanta, Hyatt Regency.

March 16-19: ABA Community Bank Executive Conference, Miami, Omni International Hotel.

March 16-19: Bank Marketing Association Community Bank CEO Seminar, Scottsdale, Ariz., Del Webb's Mountain Shadows Resort.

March 16-21: ABA National Personnel School, College Park, Md., University of Maryland.

March 16-22: ABA Business of Banking School, Dallas, American Airlines Learning Center.

March 20-21: Robert Morris Associates Managing International Lending Risks Workshop, New Orleans, Hilton Hotel.

March 23-25: ABA Salary Administration Workshop, St. Louis, Sheraton St. Louis.

March 23-26: ABA National Consumer Compliance Conference, Miami, Omni International Hotel.

March 23-26: Bank Marketing Association Advertising Conference, Cambridge, Mass., Hyatt Regency Cambridge.

March 23-April 3: ABA National Commercial Lending School, Norman, Okla., University of Oklahoma.

March 26-28: Bank Administration Institute Accounting and Finance Conference, Orlando, Fla.

March 26-28: Bank Marketing Association Public Relations Conference, Cambridge, Mass., Hyatt Regency Cambridge.

March 29-April 1: Association of Reserve City Bankers Annual Meeting, Boca Raton, Fla., Boca Raton Hotel.

March 30-April 4: ABA Community Bank CEO Program, Ft. Lauderdale, Fla., Holiday Inn at Inverrary.

April 9-11: ABA Educational Policy and Development Council "Bankers Educational and Training Forum," Chicago, Palmer House.

April 9-12: Louisiana Bankers Association annual convention, New Orleans, New Orleans Hilton.

April 13-16: ABA Southern Regional Bank Card Conference, New Orleans, Hyatt Regency New Orleans.

April 13-16: ABA National Installment Credit Conference, Washington, D. C., Sheraton Park.

April 14-15: Mortgage Bankers Association national conference, New York City, New York Hilton.

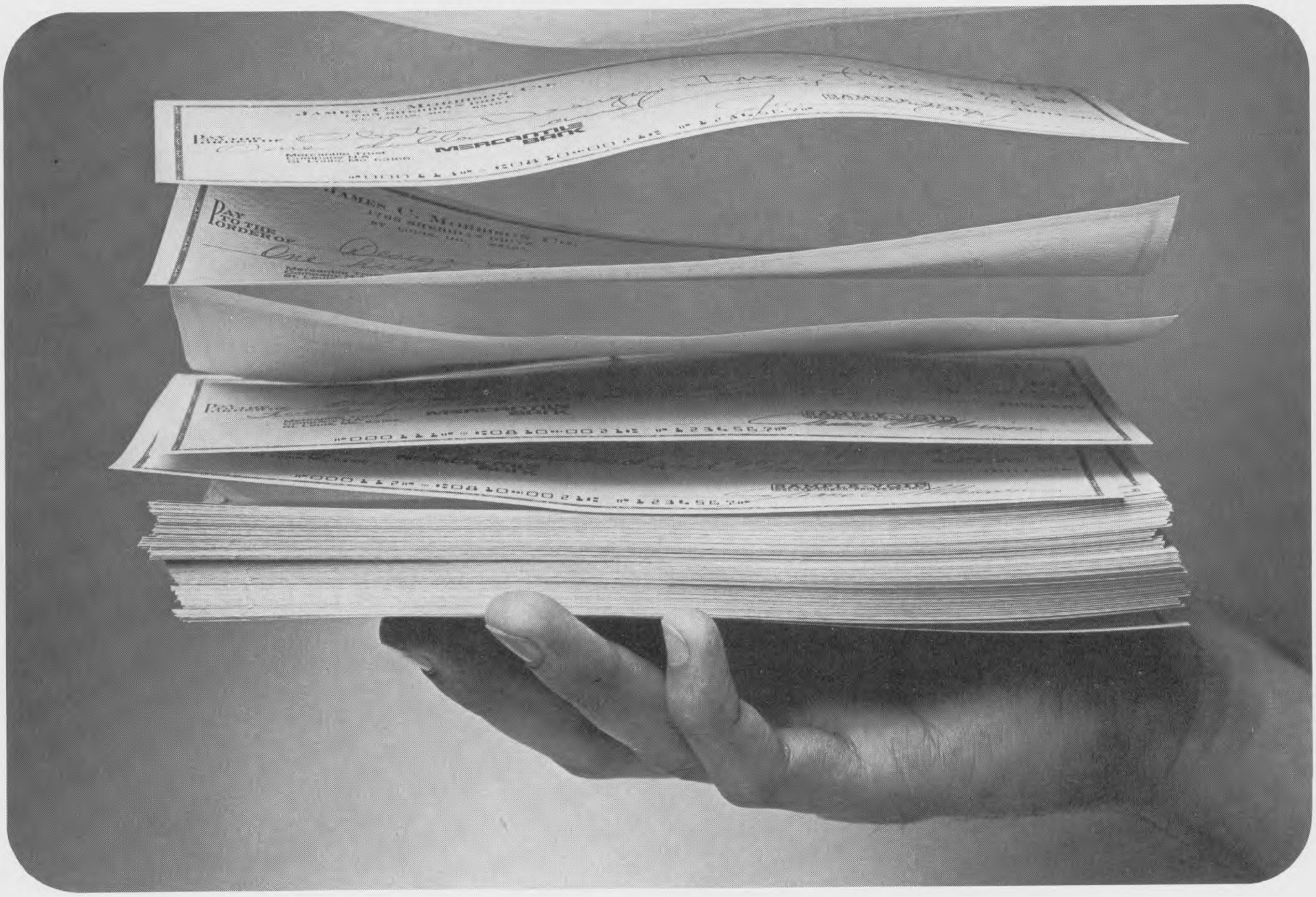
April 17-18: Robert Morris Associates Analyzing International Financial Statements Workshop, St. Louis, Stouffer's Riverfront Towers.

April 20-23: Bank Marketing Association Staff Sales Training Workshop, Atlanta, Omni International Hotel.

April 26-27: ABA Community Bank Senior Management Planning Workshop, Chicago, Hyatt Regency O'Hare.

April 27-29: Texas Bankers Association 96th annual convention, Houston.

Does your correspondent bank minimize float in check clearing?



A Mercantile Banker makes it smooth-sailing.

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

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

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

Float. Just as important, Mercantile experts can provide fast, accurate cash letter analysis. And they'll recommend ways to cut float to rock bottom. Another tool is the automated balance reporting system we make available to our customers.

Technology plays a big role, too. Our high-speed computers work 24 hours, processing 500,000 items every day. That's why, on the average, your checks will clear in less than 0.9 days.

All in all, 1600 Mercantile employees are ready to help make your check clearing job smooth-sailing. And that's just **one** of the many correspondent services we provide.

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The Banking Scene

By Dr. ***LEWIS E. DAVIDS***

Illinois Bankers Professor of Bank Management
Southern Illinois University, Carbondale

Cards of the Future to Tell All

MOST AMERICAN BANKS are somewhat behind the electronic times by not using credit/debit cards that make use of microminiaturization. French banks have been innovative in putting to use an idea that is likely to spread in time to American banks.

What the French have done is to marry a tiny electronic-circuit chip to the bank debit/credit card. This chip already is utilized extensively in computers. Now the credit/debit card can carry on a long conversation with those computers. It provides a number of possible programming operations. What is being done is that a chip can be inserted in between layers of a credit card. Many of the credit/debit cards newly issued are implanted with a magnetic strip that contains certain basic information. However, new technology developed by the French banking and computer people dramatically increases the amount of information that can be stored. The chip also can be programmed in many ways to protect data in it from unauthorized access and to maintain a record of each transaction that has been activated by use of the card.

"Think of it. A credit card could be programmed with data such as birthdays, anniversary dates, important payments and even when the car is due for an oil change."

The recent decision by Sears to accept bank credit cards is likely to stimulate more and more national merchandising firms to do the same. Until recently, the banking industry has viewed the possibilities of the point-of-sale (POS) market as being rather limited. Last summer, I attended a seminar at the Graduate School of Banking at the University of Wisconsin-Madison, where the main thrust of the session was the unlikelihood of the POS debit/credit market being significantly expanded.

However, with use of the electronic circuit chip in debit/credit cards, it is possible that POS utilization of these cards may be revolutionized. A number of French financial institutions are engaged in studying ways this type of card can be adapted to special uses in banking and merchandising. One innovation is to program the monthly credit limit into the card. Another is to create a card that permits computer printout. Possibilities for record keeping are mind boggling. A housewife using a card in conjunction with a merchant's POS electronic cash register not only would have the ability to obtain a printout of every item purchased, but she also could have a printout of vital data concerning each time the card was used. As it is presently used in France, the chip credit/debit card is not on line, but there is no reason why it could not be connected with a computer. An interesting adaptation would be to permit the standard electronic cash register to be activated by the credit-card chip.

Lines found on many products in stores that are readable by computer are called "uniform product code." The code has applications related to new electronic developments in the bank credit card. At present, there are relatively few merchants who are using the uniform product code in the way it initially was conceived. However, more merchants are moving into this field every day. They are finding that while there are still some bugs to get out, the uniform product code gradually is becoming workable. What is possible is benefit not only to customers who have a printout of the uniform product code of each item purchased, including price, but also verification, security and funding through a credit card. From the merchant's point of view, it is possible for the uniform product code to simplify such things as inventory and ordering. It also is possible to identify quickly those products that either are gaining acceptance or losing acceptance through use of statistical computer programs involving analysis of variance.

Most American banks are behind the electronic times by not using credit/debit cards that use electronic-circuit chips. The chips make the card a key to long conversations with a computer.

It is not likely that U. S. banks will start using chips in their bank credit cards overnight. However, with the impetus of the French banks' push into the future, they should be seriously considered by the innovative American banker.

Just think of it. A credit card could be programmed with data such as birthdays, anniversary dates, important payments and even when the car is due for an oil change. ● ●

CONDENSED STATEMENT OF CONDITION

AS OF DECEMBER 31, 1979

RESOURCES

Cash and Due from Banks	$ 244,860,996.69
U. S. Treasury Securities	421,151,859.35
Obligations of States and Political Subdivisions	57,119,907.78
Stock in Federal Reserve Bank	1,500,000.00
Federal Funds Sold and Securities Purchased Under Agreements to Resell	80,000,000.00
Loans	890,029,533.83
Less: Valuation Portion of the Reserve For Possible Loan Losses	7,482,097.12
	882,547,436.71
Bank Premises and Equipment	11,287,213.53
Other Real Estate	20,291.99
Customers' Acceptance Liability	948,591.75
Accrued Income Receivable	19,952,472.96
Other Assets	8,369,765.38
TOTAL	$ 1,727,758,536.14

LIABILITIES

Deposits	$ 1,355,007,851.49
Federal Funds Purchased, Securities Sold Under Agreements to Repurchase and Note Option Account	200,823,758.74
Acceptances Outstanding	948,591.75
Dividend Payable January 2, 1980	1,871,951.26
Special Dividends Payable	2,184,196.94
Accrued Taxes, Interest and Expenses	22,402,878.55
Deferred Income Tax Portion of the Reserve For Possible Loan Losses	1,692,027.20
TOTAL LIABILITIES	$ 1,584,931,255.93

CAPITAL ACCOUNTS

Capital Stock	$ 2,800,000.00
Surplus	47,200,000.00
Undivided Profits	90,131,242.79
Capital Portion of Loan Loss and Securities Reserves	2,696,037.42
TOTAL CAPITAL ACCOUNTS	$ 142,827,280.21
TOTAL	$ 1,727,758,536.14

Whitney
NATIONAL BANK OF NEW ORLEANS
Established 1883

Neighborhood-Redevelopment Fund Set Up

INVESTING in the future of its city's neighborhoods is the goal of a new marketing assistance program sponsored by First National, St. Louis.

The bank says it has become the first in St. Louis to publicly invite organized neighborhood groups to submit proposals for a portion of $10,000 the bank is offering as an incentive to encourage city-neighborhood redevelopment, according to Richard F. Ford, president/chief operating officer.

Proposals detailing how the assistance funds would be used to attract new residents to a neighborhood or to elicit interest in a neighborhood will be reviewed by a panel of bank personnel and local independent neighborhood experts.

Several organizations will be selected to receive up to $2,000 each. Funds may be used by the benefiting organization to sponsor or augment new or existing programs in 1980.

Grants will be made only for the sponsoring of specific marketing programs designed to attract interest in a neighborhood or new residents to the neighborhood. Grants will not be made for operational purposes, such as ongoing staff salaries.

Applications will be processed and grants made after the Valentine's Day deadline.

"First National has a long-standing commitment to the redevelopment of city neighborhoods which dates to 1969 when we became a direct participant in the restoration of Lafayette Square," Mr. Ford says.

Since then, the bank has provided both financial and in-kind assistance to two neighborhood organizations in Hyde Park — Historic Hyde Park and Hyde Park Renovation Effort. Hyde Park residents attributed the bank's advertising efforts on their behalf to tripling attendance at their Victorian Fair. • •

With Gold C Value Books:

Nonprofit Groups Benefit From Bank's Selling Contest

Six nonprofit organizations in Oklahoma now are richer by some $1,200 paid out in prizes by Liberty National, Oklahoma City. Their efforts in selling Gold C Value books won the money for the groups, which not only earned the prize money, but some $2 per book sold went into these organizations' funds.

Awards were given in various categories, starting with $300 as the top prize and going down through $200 and $100. Winners included schools, church groups, even a football team.

Representatives of organizations praised the Gold C Value books as "an excellent fund-raising method, salable with a good value." One of the school representatives pointed out that selling the books was of educational value as the youngsters learned how to deal with the public, to work together as a group and to handle money responsibly.

According to Willis J. Wheat, executive vice president of the bank, the project was sponsored by Liberty National as a community service to give nonprofit clubs and organizations a method of raising funds for their projects that would not be tiresome or of little value.

Willis J. Wheat (l.), e.v.p., Liberty Nat'l, Oklahoma City, is pictured with representatives of two top winning organizations in Gold C Value book-selling contest sponsored last year by bank. With Mr. Wheat are Kathy Jones, St. Andrew's Catholic youth group, Moore, Okla.; and David Goodsell, headmaster, Heritage Hall School.

The Gold C Value books are provided nonprofit clubs and organizations that want to sell them on consignment bases. Each book has 288 coupons with values totaling $1,000 to $1,500. The book sells for only $4, with the club or organization doing the selling keeping $2 of the money and paying only $2 for each book sold.

Liberty National is sponsoring the Gold C Value books again this year.

At High Schools:

Basic Banking Course Started for Seniors

"Banking Is," an audiovisual course about the services and functions of banks has been introduced to Mobile County, Ala., high school seniors by First National, Mobile.

Purchased from National Learning Productions, Inc., St. Albans, W.Va., the program offers each school a kit of educational banking materials consisting of a full-color 35-mm filmstrip, one cassette, overhead transparencies, a filmstrip narration and an instructor guide booklet. In addition, each student is provided with a practice checkbook register and a workbook study guide.

Taught in conjunction with economics classes, the one-week course introduces students to checking and savings accounts, overdrafts, trust services, loans, cashiers checks, safe deposit boxes and credit cards. Also discussed are data processing services, electronic funds transfer services and automated teller machines.

Introduced in November, 1979, the course will be taught to different economics classes at both public and private high schools throughout the school year. Also, bank branch counselors will work with teachers during the first year and will be available for a question-and-answer period at the end of the program.

The Tight Money Trap.

At ICS we know it's easy to fall into. But there's never been a better time to market higher yield property improvement loans. We guarantee it.

Tight money means loan dollars *must* be concentrated where they return *the most productive yield*. Risk-free property improvement loans provide excellent returns. And, with new home costs mushrooming, Americans are investing billions in improvements to existing property.

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Risk-free security. 100% protection against every unpredictable default. Strikes, divorces, skips, bankruptcies, layoffs.

Greater flexibility. ICS tailors a program to your needs. Amounts. Terms. And *all* types of improvements are eligible.

Fast, comprehensive service. Claims are paid in days—not weeks or months. ICS offers portfolio review and evaluation on a continuing basis, plus a proven marketing program to help broaden your HIL volume.

Financial stability. Insurance provided by Old Republic—world's largest insurer of consumer credit with full-line coverage in the lender insurance field.

Over 1600 institutions are already profiting from the ICS plan. Let us show how we can help increase your portfolio profitability. Call William F. Schumann, President, (312) 621-9400, for a plan tailored to your needs.

INSURED CREDIT SERVICES INC.

America's No. 1 insurer of property improvement loans.

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A SUBSIDIARY OF OLD REPUBLIC

Other Subsidiaries: Old Republic Life Insurance Company, Old Republic Insurance Company, Old Republic Mortgage Assurance Company, Title Insurance Company of Minnesota

Called Medibank:

Doctors' Start-Up Costs Are Financed by Bank

State Street Bank, Boston, didn't have to go to dental school to get into the dental business. The bank is financing more than 1,400 new or practicing dentists, veterinarians and other medical specialists who are taking advantage of its Medibank Financial program.

Started in 1964 by three of the bank's loan officers, the program was designed to help recent dental school graduates purchase equipment, furniture and rental space. The loan officers, who were trying to get into a specialized market, realized the excellent stability of this group to repay a long-term loan.

The bank expanded the program since inception to include other medical specialists with similar start-up costs.

Medibank's loan structure is easy on its customers. Unlike most other types of loans that require immediate repayment, new practitioners pay no principal or interest during the first six months of the loan. This allows the doctors a chance to get on their feet and recoup some of their start-up costs. Most of these professionals are in a better position to begin repaying the five-to-seven year loan after the six-month grace period. Medibank loans average $35,000, and between 30 to 40 loans are made per month.

According to a bank spokesman, the bank's program had a clean default record for seven consecutive years.

In addition to providing Medibank customers with money, the bank has been cross-selling services to them. These services include credit-card bill paying, furniture leasing, retirement planning and investment.

State Street bankers capture this specialized market's attention by attending various state dental and medical conventions in New England. More than 5,000 dentists and dental students from the U. S. and other countries attend the annual four-day Yankee Dental Congress. So do State Street bank representatives.

In fact, last year Bob Reed, vice president in charge of the Medibank program, taught a seminar entitled "Financial Management of a Dental Practice." In addition, the bank maintains close relationships with area dental schools. An eight-week accredited course on financial planning is taught by program officers and the bank economist at Tufts University Dental School, Medford, Mass., each semester. Mr. Reed also conducts a financial seminar each year at Boston University Dental School.

Free-Flow Format:

Bank of America Redesigns Checking-Account Statements

Bank of America, San Francisco, has redesigned personal "time-saver" statements so that they are more easily read and understood by its 3.8 million personal checking-account customers.

A comparable new statement for business checking accounts will follow.

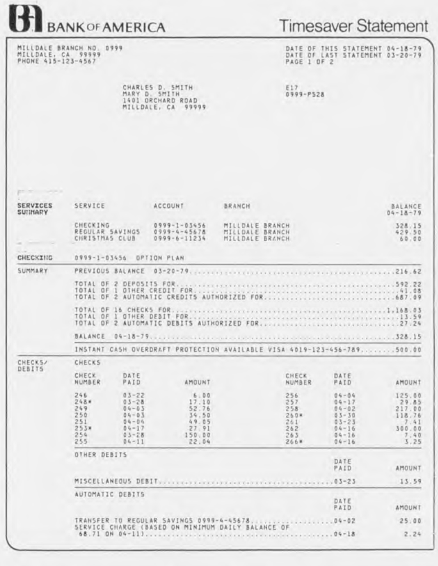
New statements use a free-flow format for information. Rigid columns and boxes of traditional checking statements have disappeared. Through the bank's own programming of IBM's computerized 3800 Printing Subsystem, which utilizes laser technology to produce an electrostatic type of non-impact printing, the bank can present account information on its statements in a logical order that has strong graphics appeal.

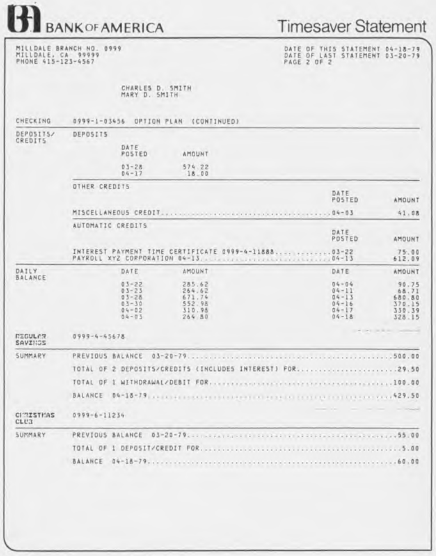
"Through new computer technology, we have produced an innovative statement unlike any other in the banking industry," says Barry O'Donnell, marketing project manager, California division-marketing. "The bank has gone beyond the usual listing of transactions to give more information about a customer's monthly account activity, with summaries for quick reference, in a distinctive format that is attractive and easily understood."

Mr. O'Donnell adds, "The free-flow format is a flexible one and will enable the bank to improve customer reporting, simply and frequently, without having to revise preprinted forms."

In design and typography, the new statements are the most visually appealing ever devised by the bank for its customers. The form's size has been changed from the previous elongated form, which was less than seven inches wide, to a regular full-page size — 8½x11 inches. In color, the form has changed from stark white with blue to a three-color form in soft gray-beige with light and dark blue detail.

The new statement forms are the design prototype for a new family-of-forms identity being developed by the bank for overall revision of its standard customer forms, Mr. O'Donnell says.





These are examples of Bank of America of San Francisco's new personal checking-account-statement format.

THE PROTECTORS

Like silent sentries, LeFebure surveillance and alarm systems help defend your operation from security threats.

Because there's no way of knowing when or where crimes might occur at your financial institution, you need the security provided by LeFebure surveillance and alarm systems. They're the Protectors — the industry's most advanced, cost-efficient security systems.

LeFebure **Closed Circuit Television** is a protector whose attention never wavers. It's on the job 24-hours a day, every day to provide you with full-time surveillance of the premises and immediate photo evidence in the event of a robbery. You also have records of everyday crimes such as forgeries and bad checks.

The LeFebure **Central Station/ Proprietary Alarm System** is a protector of broad capabilities. It not only provides surveillance and controls alarms, but it simultaneously gathers data, processes events and stores information from branch operations as well.

The LeFebure **Modular Alarm System** is a protector with exceptional growth possibilities. Start with a small alarm system and add on components as you grow. The Modular System can incorporate every kind of sensing, triggering and responding devices.

Talk to a LeFebure Sales Engineer soon about your security system requirements. You need all the protection you can get and LeFebure has all the protection expertise you need.

Closed circuit television

Central station/proprietary alarm system

Modular alarm system

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Division of Walter Kidde & Company, Inc.
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Cedar Rapids, Iowa 52406

Deregulatory Action Ahead for Congress?

INCREASING congressional reluctance to add to the burdens carried by the business community and to expand federal agencies' involvement in affairs of business could have a profound effect on a wide range of banking issues being considered by Congress.

The most visible target of this congressional sentiment has been the Federal Trade Commission (FTC), which many observers believe has gone beyond its broad legislative mandate — to regulate unfair and deceptive trade practices. During 1979, Congress blocked efforts by the FTC to set industry-wide product standards, to move against the funeral industry and agricultural cooperatives and to take certain actions against the insurance industry and some television advertisers.

The FTC is a target of current congressional sentiment because many believe the agency has gone beyond its broad legislative mandate.

Also, last year the House of Representatives defeated a mandatory hospital-cost-control bill, rejected a ban on nuclear power-plant construction and reserved to itself a veto power over pesticide regulations. In more positive terms, Congress also has taken steps toward deregulation of some elements of international trade, has approved airline deregulation and is moving toward at least partial deregulation of the trucking industry.

Some observers caution that Congress does not yet favor any sort of across-the-board deregulatory action, but rather is limiting its efforts to specific cases of regulatory abuse for the time being. Yet, for financial and banking legislation, the 96th Congress so far has demonstrated a strong commitment to deregulation as the route to resolution of competitive and other issues.

This new mood in Congress is seen as a response to one of the dominant messages of the 1978 elections: People want less, not more, government.

The approach adopted by Congress to numerous banking issues — reform of Regulation Q, nationwide NOW accounts, the Fed issue — reflected this thinking clearly. Though none of these issues reached final resolution last year, even interim legislation enacted by Congress illustrated this point.

The one bill that was enacted simply extended a court-set deadline to avoid disruption of several important financial services (automatic savings-to-checking transfers, share drafts and remote service units). The bill also granted partial relief from state usury ceilings, yet another form of government interference in commerce. At the same time, to avoid extensive federal intervention in state matters, Congress limited its action on usury so that state legislatures will have a full opportunity to act on their own to remedy the problem as citizens of each state see fit.

In some respects, the question that Congress has been asking is, do better results derive from restriction or from freedom? And, in general, during the past year, Congress chose greater freedom rather than greater restriction for individuals and businesses.

This choice was apparent when the House was asked to vote on a bill that would have forced a small number of commercial banks to maintain their reserves with the Fed — in effect, vastly increasing the central bank's power over the industry, though not necessarily enhancing its monetary effectiveness, as was claimed.

Even with the power of the monetary-effectiveness argument focused strongly in support of the bill, the House voted overwhelmingly to amend the bill to continue to limit the Fed's power only to those institutions that choose voluntarily to be Fed members. (The House did, however, approve a "safety net" giving the Fed extended reserve-setting authority in the event its reserve coverage of the nation's deposit base fell below a certain point.) The House then went on to approve the bill's basic elements, which were intended to reduce substantially costs and burdens of membership in the Federal Reserve. The goal was to make the voluntary system work.

It should be noted that the Senate declined its one opportunity last year to extend the Fed's reserve-setting authority beyond Fed members (in the case of NOW-account deposits only), again suggesting strong sentiment against expansion of the role of government agencies.

So far in the legislative process, Congress has moved in the direction of more freedom for financial intermediaries.

On the broad questions of competition among different types of financial intermediaries, questions that carried over into the new year and remain before Congress as of this writing, Congress again tackled the issues as opportunities for deregulation. Bankers and others had long described these issues — the interest-rate gap, third-party-payment powers for thrift institutions, wide differentials in reserve requirements — in terms of movement toward competitive equality.

Congress re-framed the broad legislative package dealing with competitive equality by asking the question, should there be equality of restriction, or should there be equality of freedom? At least so far in the legislative process, Congress has moved in the direction of more freedom for financial intermediaries. For banks, which traditionally have been more heavily and restrictively regulated than their nonbank competitors, this would mean greater freedom to compete. An eventual phasing-out of Regulation Q, for example, not only would free the deposit market across the board, but also effectively eliminate

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

the interest-rate discrimination under which banks labor.

The tendency has been not to roll back innovations developed within the financial industry, but rather to extend those innovations to all institutions so that those who choose to do so may offer them. For example, instead of outlawing NOW accounts when they first were developed by the thrift industry, Congress has extended them steadily. Today they are available in New Jersey, New York and the six New England states, and the prospect is that they will be authorized nationwide before the year is out, regardless of pressures brought to bear by one industry group or another.

It is reasonable to expect that the congressional will to deregulate will affect the "new" banking issues that will be taken up this year, including branching and additional statutes protecting privacy of individuals. Although it is unlikely that either of these matters will reach the stage of legislative action during 1980, the first steps of congressional discussion in these areas probably will take place.

How the various political factors will intermix as these issues evolve is a matter beyond prediction. For now, though, the depth and breadth of the popular and congressional reaction against federal regulation suggest that a formidable force is at work. • •

Regulatory News

Coordinated Action Is Sought Among Supervisory Agencies On Actions on Banks, HCs

Two policy statements adopted by the Fed call for coordinated action among federal bank supervisors on certain examination, supervision and corrective actions affecting bank HCs and commercial banks. The Federal Financial Institutions Examination Council recommended the statements to the Fed and other federal bank supervisors.

One policy statement, concerning inspection of bank HCs and examination of subsidiary banks, would require coordinated inspections and examinations of at least the bank HC and its lead bank in the case of: 1. Any bank HC with consolidated assets of more than $10 billion. 2. Any bank HC or lead bank of a bank HC in the two least-favorable rating categories of the agencies' five-category uniform rating systems for bank and bank HCs. 3. Any bank HC or lead bank of a bank HC in the third, or middle, category of these rating systems, if the institution's financial condition appears to have worsened significantly since it was inspected or examined.

This policy statement calls for examination of other banks of a multibank HC to be coordinated with inspection of the parent company to the extent possible. State banking authorities are to be kept informed and encouraged to participate where state-chartered institutions are concerned.

The second policy statement approved by the Fed deals with agencies' corrective actions. It calls for the following procedures: 1. A federal bank regulatory agency initiating a formal enforcement action against a bank HC or a commercial bank will notify the other two agencies. 2. A committee composed of the directors of bank supervision of the three agencies will review any differences of view among the agencies on actions to be taken. Unresolved differences will be referred to examination council members of the bank supervisory agencies. 3. The Fed and FDIC will notify the appropriate state supervisory authority of intent to institute a formal corrective action against a bank HC or state-chartered bank.

Regulatory-Burden Reduction Is Objective of Measures Announced by FDIC Board

The FDIC's board has taken measures designed to lessen the regulatory burden on small banks. FDIC Chairman Irvine H. Sprague says that for purposes of the new policy, a small bank is considered to be one having assets of $25 million or less. This includes about 65% of the 8,827 insured state nonmember banks supervised by the FDIC.

Steps approved to achieve the objective of reducing small banks' regulatory work load include: 1. A mandate to agency staff personnel to consider differences in small- and large-bank requirements in drafting proposed regulations. 2. When feasible, preparation of a small-bank impact statement on new regulations. 3. Periodic review of existing regulations to determine if they can be revised to reduce the small-bank burden.

FDIC Director William M. Isaac has been designated as the senior official overseeing the FDIC's efforts to minimize the regulatory burden for small banks. He is being assisted by Jerry Langley, an attorney who heads the FDIC's regulations task force.

Failure to Meet Deadline Of Dec. 31 for Bank HC Act Could Produce Penalties

"An extremely serious matter" is the way the Fed says it will regard any violation of the Bank Holding Company Act resulting from failure by affected bank HCs to comply with a December 31, 1980, deadline for divestiture of nonbanking activities. According to the Fed, such violations could result in civil penalties or referral for prosecution.

The Fed's message was contained in a policy statement directed to certain companies that became bank HCs by virtue of the 1970 amendments to the Bank HC Act. These are one-bank HCs that acquired nonbanking activities between June 30, 1968, and December 30, 1970. The 1970 amendments generally require that unless these companies drop their banks, they must (1) divest such nonbank subsidiaries or (2) get Fed approval to keep them, and either action must be taken by next December 31. The policy statement concerns companies that have not yet complied fully with the act's 1980 requirements.

In earlier statements, the Fed advised these companies to submit their plans for complying with the law. The Fed said then that it is concerned about companies that have failed to re-

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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spond or have responded only partially and stressed that it has no authority to extend the 1980 deadline or make exceptions.

The Fed says it will act as expeditiously as possible on all applications and requests concerning the 1980 deadline, but it reminded companies that applications to keep subsidiaries might be denied, and, therefore, they should allow sufficient time for divestiture if that occurs.

Fed's One-Bank-HC Proposal Designed to Maintain Safety Of Small Community Banks

The Fed has proposed a policy statement designed to help maintain the safety and soundness of the banking system — particularly of small community banks — and to facilitate change of ownership of such banks by amending criteria applied in considering applications for one-bank-HC formations. The Fed had asked for comment on the statement through January 31.

The proposal would apply to one-bank HCs meeting both of the following conditions: total assets of approximately $100 million or less and no significant nonbank activities that use large amounts of debt in their businesses.

It would permit acquisition by one-bank HCs of small community banks under revised terms. The proposed terms would continue in more flexible form the Fed's standing policy of allowing transfer of ownership of such banks on less-demanding terms than those the Fed applies in considering applications involving larger banks.

Present policy calls for repayment of all acquisition debt within 12 years, while maintaining a satisfactory level of capital in the company's bank subsidiary. The revised policy would provide that the HC's debt-to-equity ratio be reduced to no more than 30% within 12 years, which is about the level maintained by many multi-bank HCs. This could be accomplished by direct debt repayment or by building up equity through retention of earnings. In any case, proposed criteria would call for no dividend payments until the company's debt-to-equity ratio reaches 30% or less, while maintaining capital at no less than 8% of assets.

Personnel

Bank Gives Employees Bonuses to Save Money Via Payroll Savings

PHOENIX — Not only are employees of First National Bank of Arizona able to participate in a payroll-deduction savings plan, but they are given bonuses to save by the bank.

Those bonuses consist of more cash. The bank will give qualified employees $1 for every $2 he or she saves. This applies to the 2%-6% employees may save under the bank's basic deduction plan.

After employees have reached the maximum basic 6%, they may save another 1%-6% under a supplemental plan. However, the bank will not match those funds.

Employees may invest their contributions in any or all of three funds — equity, fixed income or guaranteed income. Savings are invested in a diversified portfolio of common stock, government or corporate bonds and in an insurance company, respectively. In the guaranteed-income fund, the firm guarantees the investment return.

All bank contributions are invested in Western Bancorp. common stock. First National is a subsidiary of Western Bancorp. As bank contributions vest, the employee becomes a shareholder in Western Bancorp. and may vote by proxy. Dividends are reinvested in stock.

"Vesting," in this case, means that employees can receive their contributions and 25% of the bank's for each 12 full months of participation. After 48 months, bank contributions are fully vested.

The plan is open to all employees, except those on leave without pay, who have completed 12 full months of service.

About 3,000 employees are eligible for immediate participation, says James Gould, vice president and head of personnel administration. He estimates that the bank's contributions will total $750,000 for the first year.

Employees may withdraw all or any of their supplemental contributions without suspension from the program, but withdrawals of basic funds carry an Internal Revenue Service penalty of suspension of all contributions into the program for certain periods of time depending on how much was taken out. Employees may voluntarily suspend their contributions at any time, but will have to wait three months before resuming payroll deduction.

There are several options for obtaining employee and bank contributions when employees leave the bank, retire, are disabled or die.

Another feature is the "Golden Switch." It allows employees 55 or older on April 1 or October 1 of any year with fully vested bank contributions to have any or all of their Western Bancorp. stock converted to any or all of the employee contribution investment funds. Also, this may be applied to all bank contributions from then on.

Bank contributions and gains from employee contributions are not taxed as long as employees remain participants, even if they are not contributing. Employees will not be taxed if they withdraw their contributions because their paychecks already were taxed, but withdrawal of bank contributions or gains on investments will be taxed.

ATM/POS-Terminal Use Expanded in Illinois

A NEW ERA of electronic banking came to Illinois January 1, when legislation went into effect expanding use of automated teller machines (ATMs) and point-of-sale (POS) terminals.

Senate Bill 905 allows deployment of ATMs, and SB 906 authorizes POS terminals.

Financial institutions in Illinois now are authorized to place a total of 10 ATMs off premises at the rate of two a year. These machines can be either in a bank's home-office county or in contiguous counties. ATMs within 3,500 yards of the home office may be for exclusive use of the establishing bank's customers, while all others must be available for sharing with other institutions.

Under the POS legislation, there's no limit to the number of terminals that can be deployed. Proprietary POS networks are restricted to the home-office county and contiguous counties of establishing institutions.

Statewide networks require ownership of at least 200 banks, with no bank owning more than 2% of the not-for-profit network.

Both bills have extensive consumer-protection provisions, and the Illinois commissioner of banks and trust companies has issued regulations for consumers' rights regarding EFT operations. • •

ATM Off-Premises Network As Banks' Joint Venture Planned for Illinois

CHICAGO — A $3.6-million electronic banking network for off-premises automated teller machines (ATMs) is in the future for northeastern Illinois. Continental Illinois National and banks in that area are negotiating formation of a joint venture to operate such a network.

Current discussions with more than a dozen banking companies representing 69 banks, says William D. Plechaty, senior vice president/head of Continental's personal banking services, are continuing as interested banks assess their individual requirements for a system serving Cook and its five adjacent counties.

A new state law that became effective January 1 permits banks to expand ATM use, and this is expected to help satisfy growing customer requirements for convenience and lead to lower business costs, according to Continental Bank.

Mr. Plechaty predicts that a system of 30 ATMs could become operational by the second half of 1980, eventually serving as many as 400,000 households.

Although Continental has developed the joint-venture proposal and initiated discussions with the banks, Mr. Plechaty says his bank would have only a minority interest in the proposed network.

In addition to providing all members with a voice in establishment and operation of the program, Mr. Plechaty cites other advantages of such a network. While lowering the cost of operation by spreading fees and risks among its participants, the system makes it possible for members to "piggyback" on advertising efforts of one another through a common card design and identity program.

Continental welcomes other interested banks to join the discussions because it foresees the system being offered on a fee basis to banks that may want to participate, but are unable or unwilling to put capital into the program.

Interchange Agreement Allows Two Banks To Share Debit Card

The Bank of Oldham County, LaGrange, Ky., has introduced electronic banking to its customers via an interchange agreement — thought to be unique in Kentucky — with Liberty National, Louisville.

In addition to acting as a consultant and service bureau, Liberty National has offered the bank the use of Liberty's "MONEY Card" design. Officers at Liberty National believe this is the first time a Kentucky bank has permitted another bank to issue a debit card using the identical name and artwork of the primary bank's card.

"This type of interchange between banks was part of the original concept when Liberty initiated the MONEY Card ATM usage for our own customers," says Jack Shipman, executive vice president/retail banking, Liberty National.

The new Bank of Oldham County Money machine is part of the bank's full-service branch located in a LaGrange grocery store.

Inaugurating interchange agreement between Liberty Nat'l, Louisville, and Bank of Oldham County, LaGrange, Ky., allowing both banks to share Liberty's MONEY Card are (from l.) Maria Gerwing, s.v.p./bankcard div., and Joseph W. Phelps, pres., both of Liberty Nat'l; and James S. McKenzie, pres., Bank of Oldham County.

The MONEY Card can be used to deposit or withdraw money from a checking or savings account, transfer funds from one account to another or make payments on an installment loan. In addition, the cards are interchangeable with Liberty National cards; that is, customers of each bank have access to their own accounts through the Money machines of the other bank, *only* for withdrawals.

First Commerce Corporation and First National Bank of Commerce

New Orleans MEMBER FDIC

1979 YEAR-END FINANCIAL STATEMENTS

FIRST COMMERCE CORPORATION

CONSOLIDATED STATEMENT OF INCOME

(In Thousands)

	Year Ended December 31, 1979	1978
INTEREST INCOME		
Interest and fees on loans	**$50,905**	$51,052
Interest on obligations of states and political subdivisions	**2,810**	2,381
Interest on other investment securities	**11,269**	4,356
Interest on trading account securities	**112**	121
Interest on short-term investments and bank deposits	**21,660**	7,033
Total interest income	**86,756**	64,943
INTEREST EXPENSE		
Interest on savings deposits	**5,712**	6,062
Interest on other consumer time deposits	**3,922**	2,532
Interest on time deposits of $100,000 and over	**15,676**	11,279
Interest on foreign branch time deposits	**2,143**	1,496
Interest on short-term borrowings	**17,987**	7,709
Interest on long-term debt	**1,939**	1,757
Total interest expense	**47,379**	30,835
NET INTEREST INCOME	**39,377**	34,108
PROVISION FOR LOAN LOSSES	**4,964**	7,273
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	**34,413**	26,835
OTHER INCOME		
Service charges, exchange and other fees	**5,684**	5,867
Other operating revenue	**1,671**	1,879
Trading account securities gains and losses	**147**	175
Gain on sale of finance company assets		337
Total other income	**7,502**	8,258
Total operating income	**41,915**	35,093
OPERATING EXPENSE		
Salary expense	**11,203**	10,789
Employee benefits	**2,489**	2,232
Total personnel expense	**13,692**	13,021
Net occupancy expense	**2,884**	3,050
Equipment expense	**2,837**	3,209
Other operating expense	**8,430**	9,749
Operating expense before cost of foreclosed property	**27,843**	29,029
Cost of foreclosed property	**1,397**	531
Total operating expense	**29,240**	29,560
INCOME BEFORE INCOME TAX EXPENSE AND SECURITIES TRANSACTIONS	**12,675**	5,533
INCOME TAX EXPENSE	**4,217**	1,511
INCOME BEFORE SECURITIES TRANSACTIONS	**8,458**	4,022
Total investment securities transactions	**(4,318)**	(1,851)
Income tax effect	**1,986**	889
Net securities losses	**(2,332)**	(962)
NET INCOME	**$ 6,126**	$ 3,060
EARNINGS PER SHARE		
Primary		
Income before securities transactions	**$ 4.00**	$ 1.91
Net income	**$ 2.90**	$ 1.45
Fully diluted		
Income before securities transactions	**$ 3.30**	$ 1.70
Net income	**$ 2.46**	$ 1.35
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	**2,114**	2,109

CONSOLIDATED STATEMENT OF CONDITION

(In Thousands)

	December 31, 1979	1978
ASSETS		
Cash and due from banks	**$ 166,531**	$135,873
Due from banks — time	**31,000**	37,000
Investment securities:		
U.S. treasury securities	**59,354**	27,302
Obligations of U.S. agencies and corporations	**68,606**	39,569
Obligations of states and political subdivisions	**48,536**	44,284
Other bonds, notes, debentures and corporate stock	**10,228**	1,643
Total investment securities (market value $181,839,000 and $109,147,000, respectively)	**186,724**	112,798
Trading account securities	**639**	45
Other short-term investments	**223,475**	242,290
Loans	**408,338**	423,022
Allowance for loan losses	**(7,312)**	(6,246)
Unearned income	**(7,493)**	(5,543)
Total net loans	**393,533**	411,233
Direct lease financing, net of unearned income of $694,000 and $1,063,000, respectively	**3,153**	3,614
Bank premises and equipment	**14,464**	14,588
Due from customers on acceptances	**784**	3,598
Foreclosed real estate	**2,579**	3,049
Real estate subject to contracts of sale		12,195
Accrued interest on securities and loans	**10,314**	8,196
Other assets	**3,683**	3,512
Total assets	**$1,036,879**	$987,991
LIABILITIES		
Deposits in domestic banking offices:		
Demand deposits	**$ 388,958**	$357,606
Savings deposits	**102,507**	116,764
Other consumer time deposits	**67,818**	48,504
Time deposits of $100,000 and over	**153,093**	157,163
	712,376	680,037
Foreign branch time deposits over $100,000	**30,235**	14,839
Total deposits	**742,611**	694,876
Short-term borrowings	**192,385**	195,451
Bank acceptances outstanding	**784**	3,598
Accrued interest payable	**7,109**	5,492
Accounts payable and other accrued liabilities	**7,996**	5,638
Long-term debt	**23,549**	24,453
Total liabilities	**974,434**	929,508
STOCKHOLDERS' EQUITY		
Common stock, $5 par value		
Authorized — 10,000,000 shares		
Issued — 2,188,866 and 2,182,190 shares, respectively	**10,944**	10,911
Capital surplus	**25,531**	25,401
Retained earnings	**27,666**	23,867
	64,141	60,179
Less—71,518 shares of common stock in treasury, at cost	**(1,696)**	(1,696)
Total stockholders' equity	**62,445**	58,483
Total liabilities and stockholders' equity	**$1,036,879**	$987,991

These financial statements are preliminary unaudited figures, and are subject to adjustments which may or may not be material.

OFFICERS OF FIRST NATIONAL BANK OF COMMERCE/FIRST COMMERCE CORPORATION

THOMAS G. RAPIER
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Chief Executive Officer

FRANCIS C. DOYLE
Chairman of the Board

IAN ARNOF*
Executive Vice President
Chief Financial Officer

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Executive Vice President
Chief Operations and Retail Banking Officer

MICHAEL A. FLICK*
Executive Vice President
Chief Credit Policy Officer

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Secretary

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Assistant Treasurer

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Assistant Treasurer

*Officer of First National Bank of Commerce only

New Cash-Settlement System on Market

ALTHOUGH "show and tell" is the traditional approach taken by product manufacturers after developing a new product, Brandt, Inc., Watertown, Wis., has kept something new under its hat for more than a year.

The company recognized it wasn't ready — until now — to handle the expected volume of orders for its new computerized cash-settlement system for financial institutions and retail stores. In a nutshell, the system allows the user to process more work in less time with fewer employees in less space.

After allowing presentation and sale of the system to a limited number of authorized district managers and their staffs, in selected areas of the nation, Brandt now is making the system available to customers who need greater cost effectiveness in daily cash-settlement operations.

The "Brandt System 2000" — consisting of a minicomputer nerve center, a coin sorter/counter and a "Countess" machine to handle currency and other paper — sorts and counts coin, and counts and batches currency, at a rate of up to 1,200 items per minute. It then totals checks, charges, coupons, food stamps and other media input. All work is tabulated on neat and uniform printed tape for permanent records.

According to a Brandt spokesman, the new system cuts time and labor costs up to 60% for servicing cash-settlement needs of customers and verifying vault deposits. High speed and accuracy mean fewer employees handle more money with improved security, and equipment operation is simple and easy to learn, according to the spokesman.

"System 2000" is individually programmed to fit specific systems and procedures of each user. It can be reprogrammed at any time, as requirements change. Also, no additional labor expenses are incurred as the cash-settlement work load grows because of increased business volume.

During the pre-sale, the new system was sold to almost 100 large retail companies and banks, which bought equipment for hundreds of their locations. According to Brandt, many buyers say they have recovered — or expect to recover — investment costs in less than 10 months. ● ●

Coin sorter/counter, "Countess" machine and minicomputer nerve center comprise Brandt's new "System 2000." It allows bank to process more work in less time with fewer employees in less space and investment costs can be recovered in less than 10 months.

Little Improvement Over 1977 Shown in 1978 BAI Survey Of Banks' Check Collections

PARK RIDGE, ILL. — Complete results of the 1978 check-collection survey have been released by the Bank Administration Institute. The survey is an annual review of productivity and quality in check-processing operations of 225 commercial banks with assets of more than $250 million. The 1978 data represent 418 million checks processed.

As first reported at the BAI's 1979 check processing conference, results showed little improvement over the 1977 figures. "In fact, although average reject rates essentially were unchanged, transit returns and exception items showed a disturbing increase of 8.5%. And for the first time in the survey's history, the median overall labor productivity decreased by 4%," according to David M. Smith, BAI principal systems specialist in charge of the annual survey.

"Bankers are increasingly aware of check-processing problems," Mr. Smith says. "For example, survey respondents expressed a growing concern with employee turnover, particularly among personnel on swing or odd-hour shifts. This problem may be reflected in the lowered productivity median."

The report defines major check-processing functions and provides a guide for accumulation and computation of data that allows an institution to track its own performance and compare it to survey respondents. Financial institutions utilize the report to track their own productivity and operational quality and to develop management reports on key variables in check processing.

The BAI is actively pursuing solutions that will control or minimize the difficulties measured by the annual survey, which has monitored the quality of check-processing operations since 1971.

Installment-Lendin

Survey Reveals Methoc Caused by Slow Economy

UNREALISTIC YIELDS, the new Bankruptcy Reform Act of 1978, rising delinquencies because of an economic slowdown, decrease in auto sales — all these elements are combining to produce an extremely rough road for installment lenders to travel. However, an installment-lending survey conducted by MID-CONTINENT BANKER reveals that bankers are actively seeking solutions to these problems, short of getting out of the consumer-loan business.

As a Chicago banker puts it, "The profitability of installment lending must be measured as a long-term investment and not over a six-month or one-year term, when factors such as money costs, the economy, etc., fluctuate continually."

The uncertainty surrounding installment loans was spelled out by Donald A. Saegesser, senior vice president, Champaign (Ill.) National: "This is the first time in my 21 years of lending that each day sees us charting new waters. We now are looking more and more to the bottom line, and if it won't make a profit, we won't be offering the service. Consumer loans won't be our loss leader today." Champaign National is a $153-million bank with $13 million in installment loans.

Mr. Saegesser and other Illinois bankers answering the survey pointed to new laws in their state affecting installment loans. HB 2818 boosts the rate permitted on dealer paper for new cars from $8 to $9.25 per hundred. This is only for dealer paper. Another bill signed into law increased the installment-loan rate from 7% to 9% add-on, boosted dollar amounts from $15,000 to $25,000 and terms from 10 to 15 years.

This action, according to Mr. Saegesser, will keep money available for consumer loans, but at maximum costs. This will allow consumer lenders to stay in business, and their managements will allocate funds at those prices.

With auto sales down, there is, of course, a corresponding decrease in auto loans. When asked how they are reallocating funds originally available for auto loans, a majority of the respondents answered home-improvement loans. One reason given is that high home-mortgage interest rates have slowed house sales, and so many families are remodeling or adding to their present homes. L. P. Cardwell Jr., vice president, United American Bank, Memphis, said his bank is seeking such loans because that market now is wide open, with customers doing less traveling, staying home more because of gasoline costs and looking for ideas to improve their homes. United American is a $120-million bank, with $37 million in installment loans.

Bank of St. Ann, Mo., says Vice President Robert Partney, has replaced the loss in auto loans with student loans, which, he reported, gives the bank a better yield. In addition, the bank is pushing home-improvement loans. The $39-million bank has $8 million in installment loans.

A southern banker — Cecil Howard Jr., senior vice president of the $260-million Guaranty Bank, Alexandria, La. ($26 million in installment loans) — doesn't paint a gloomy picture of the new year. He said, "We feel that 1980 will be a good year. As economic conditions improve, customers' confidence will return." He also said his bank will continue to actively seek all kinds of installment loans in 1980 because it has plenty of loanable funds, and yields are satisfactory. He did add that fewer auto sales will have an effect on Guaranty Bank's volume since it is a retail bank.

At the $425-million Peoples Trust, Fort Wayne, Ind., concentration will be on home-improvement and personal loans such as consolidation loans, The biggest challenge today is acquiring a satisfactory volume of business with proper pricing that will maintain satisfactory interest as our money costs increase. This will require "look-ahead" loan pricing as opposed to a reactionary pricing policy. If we wait to react to poor "bottom-line" performance or overreact to volume demands, we always will be two years behind the solution to the problem of improving profitability.

T. A. Troutner
Vice President
Peoples Trust Bank
Ft. Wayne, Ind.

Picture for the 1980s:

Being Used to Fight Problems

Fewer Auto Sales, Regulations

according to T. A. Troutner, vice president. The bank, which has $40 million in installment loans, will not seek loans on recreational vehicles (RVs) because of their suppressed market. Neither will it go after mobile-home financing. The reason: Terms are long, and money costs will be changing constantly as Regulation Q relaxes. Thus, it will be hard to be competitive today and still have a satisfactory yield in the latter part of the contract.

As of year-end 1979, said Mr. Troutner, installment-loan yields were barely satisfactory, and reduced auto sales had caused loan volume to slow down. This means that some old low-rate loans still are on the books and are not being replaced by higher-yielding receivables. Policy affecting installment lending in 1980, he continued, will be related mostly to yield. Loans must be priced high enough to generate adequate interest spread. Mr. Troutner said that if competition limits pricing, then the bank will have to concentrate on the class of loan business that will produce an adequate yield.

Another respondent from a large midwestern bank also referred to yields, saying it will be tougher this year to make a profit in the installment lending department because they are unrealistic. He pointed out that the cost of funds is running more than 12%, and federal funds are in excess of 13%, but the yield from an installment loan is only 12%. Thus, such a loan is not productive.

This bank has stopped buying paper from auto dealers, perhaps because a competing bank in its city has had a "lock" on that business for years. However, the responding bank does have a policy of making a consumer loan where it has another customer tie-in. As for the funds it could use for auto loans, the banker said they can be used profitably in the investment portfolio or for commercial loans.

Like Messrs. Saegesser and Troutner, this banker foresees bankers channeling their money into other types of loans or investments if installment-loan profits don't materialize. As he said, "Profitability will be the real key as far as bank policies on installment lending are concerned in 1980."

Funds will be re-channeled at the $20-million Bank of Illinois, Normal ($5 million in installment loans), with those allocated to auto loans going into investments. The bank will seek mobile-home, home-improvement, personal and other types of loans, but if not successful, the bank also will put those funds into investments.

Despite the gloomy picture of installment loans currently being painted, Mary George Jordan Waite, chairman/president of the $42-million Farmers & Merchants Bank, Centre, Ala., contends that such loans still have an important place in lending. Her bank has $12 million in these loans. She added that auto loans are not down at her bank.

No installment-lending survey would be complete without a reference to the new Bankruptcy Reform Act of 1978. The law, which will make it extremely hard for banks to collect from customers who take advantage of it, is causing many banks to tighten up their screening of loan applicants and lending procedures, institute closer loan-to-collateral levels and reject more collateral than formerly. There will be fewer unsecured loans made and new lending limits set. Banks plan to make more phone calls to delinquent borrowers rather than write them letters. Some banks plan to turn delinquent loans over to their classified loan departments sooner than they did before the law took effect. One banker said his bank is rejecting some types of personal loans and is requiring higher

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'Controlled Flexibility' Key To Consumer Lending in 1980

THE LARGEST BANK to answer the MID-CONTINENT BANKER survey on installment loans (see article beginning on page 24) was Security Pacific National, headquartered in Los Angeles, but covering all of California. The $24.3-billion bank has approximately $2.75 billion in installment loans. Here's what James L. Smith, senior vice president, had to say:

Since most installment-credit extensions are not "rate sensitive" and have been written for longer and longer terms in recent years, the current situation as it affects profitability never has been experienced before — even in prior so-called "high-rate" periods.

The decline in auto sales by number of units has been offset partially by the increased prices of autos and the effect of the extended maturities (up to 60 months in our portfolio), with the resultant reduction in liquidations. Thus, our dollar investment in auto finance has declined at a much slower rate than the drop in sales would suggest.

While we do not have a "funds-control" desk in operation in our resource management group at this time, we do have weekly discussions about loan volume and 1980 opportunities. We have withdrawn any installment loan advertising at this time.

I suspect that our 1980 policy on ILD will continue to be one of "controlled flexibility."

An area of excellent promise in our marketplace is the continuing growth in acceptance of modular housing. Our program includes mobile-home-coach financing, a combination loan of both site and coach and special "package"-loan plans in conjunction with a project developer.

Credit Cards. About six months ago, we increased our credit requirements for charge-card applicants, particularly in the income standard. We raised our disposable-income requirement to $750 per month and reduced the maximum debt ratio allowable to 40% from 50%. This has had good results in our analysis of credits approved. However, delinquency and loan losses are both higher than the year before despite this change.

Our charge cards (both Master Charge and Visa) are issued on a line of credit, which is attached to the customer's demand-deposit account. As a package, this service is satisfactory. We don't expect to initiate a fee for the card.

Collections. Our age-old collection policy to be fair but firm continues to be the best way to handle collections, in our opinion. We are talking with more customers currently and working harder to keep delinquency ratios as low as possible (1.9% on direct loans and 2.9% on indirect, compared to 1.83% and 2.53% in 1978).

Bankruptcy Act. We have no new forms, procedures or practices as yet, because we still are reviewing and analyzing the best course of action.

Cost Cutting. It seems to us that we can improve our bottom-line profit best by reducing charge-offs that have a 100% direct effect and by automating as much of the "people work" as possible. We have just completed installation of tape-recorded collection messages for most collection work through the first 30-day period. Many exceptions, such as first three payments, history, collateral position and original credit rating, will be accommodated.

Regulations. Regulations, of course, are the biggest challenge to bankers in general and to installment lenders in particular. This year will be a vital one in Washington as we face major issues of: 1. Truth-in-Lending simplification (SB 4986). 2. Rule of 1978 (SB 2002). 3. Financial Privacy (SB 1928 and SB 1929). 4. Federal Trade Com-

(Continued on page 28)

Models (Cars and Girls) Draw Thousands to Bank For Its Auto Show

The 1980 year may not be a good year for the auto industry, but when Oklahoma National of Chickasha held an auto show on the roped-off streets in front of its building last fall, nearly 7,000 persons turned out. This was three times the number expected. In fact, nearly everyone in Grady County came out for the event, says Roy Kelsey, account administrator, Jordan Associates, an Oklahoma City advertising firm.

Of course, the crowd could have resulted from the fact that the show — in addition to featuring new cars — also had "models" of another kind, the Texas Cowgirls. This is a group of ex-Dallas Cowboy cheerleaders who have formed their own modeling/talent agency. The young women have appeared in *Playboy* magazine and the movie, "North Dallas 40," and are pictured on a nationally distributed pinup poster. Incidentally, the bank gave away 500 of these posters and could have given away several thousand if they had been available, according to Mr. Kelsey.

Two kinds of beauties — Rolls Royce car and Texas Cowgirls — are pictured at Oklahoma Nat'l of Chickasha's 1980 auto show with Roy Kelsey (l.), Jordan Associates account administrator, and Olen Treadway, bank pres.

The Cowgirls posed with the cars for photographers and rode in the Chickasha Homecoming parade. They also had their picture taken with the Chickasha football team and were part of a reception at the bank for the Jane Brooks School for the Deaf in Chickasha.

The Cowgirls were a popular attraction, says Mr. Kelsey, and will be a hard act to follow at the 1981 show. "However," he adds, "we are considering a suggestion from some of the females in the crowd — equal time for some ex-Dallas Cowboy football players!"

Bank Gets Good-Quality Auto Loans With Insurance Agents' Help

A LOAN PROGRAM that reduces paperwork and administration costs, yet features good-quality portfolios, is desired by every bank. First National of Skokie, Ill., a $279-million bank located just north of Chicago, believes it has such a program — and it obtained it with the help of independent insurance agents and a plan called "Quik Cash."

First National became the first bank in Illinois to take part in the "Quik Cash" finance program, which is offered by Modern American Brokerage Services, Inc. (MABS), Bolingbrook, Ill. According to MABS' president, Ken Palmer, "Quik Cash" relies on the firm's group of nearly 1,000 independent insurance agents to sell auto, recreation vehicle (RV) and home-improvement loans for banks. Mr. Palmer adds that while this network of agents provides top-quality loan applications in the amount and area each bank wants, the latter always has the right to accept or reject each loan individually.

Here's how "Quik Cash" works: First, a bank determines how much money it wants to commit annually to the program. Then, a MABS representative starts working with the bank in selecting the marketing area it wants to service. Next, insurance agents available in the designated marketing area are presented to the bank for its approval. Mr. Palmer emphasizes that a bank has the right to accept or reject individual agents. Agents accepted are assigned to a bank, and all loan applications they produce are sent to that bank.

MABS then sets up accounts at the bank so that MABS can pay the agents finders' fees as they are earned. At the same time, MABS sets up an account into which the bank deposits fees as they are earned by the firm.

First of Skokie went into the MABS program a year and a half ago, according to Vice President Donald L. Bramlett, because the bank wanted more direct auto loans than it had then ($8 million in direct loans and about $20 million in dealer paper). In the first 18 months, the program produced $1½ million in direct loans, which were brought in by 15 of the 80 or so agents signed up by First National. Mr. Bramlett believes the other agents also will produce loan business for the bank.

In addition to wanting more direct loans, First National wanted to lower loan-acquisition costs, and, says Mr. Bramlett, "Quik Cash" has done this. It also is bringing in better-quality loans than when the bank went after direct loans on its own. The agents do the interviewing and fill out the applications. Then, they give this information by phone to the bank, which approves or turns down the loans as it sees fit.

What does this arrangement actually cost First National? Mr. Bramlett says the bank pays MABS 1% on the principal of each loan. As an example, he says, the bank would pay out $150 over a three-year period on a $5,000 loan.

Because the Skokie bank pioneered this program in Illinois, it had no guidelines to follow. Mr. Bramlett says it chose an area to service that is too large to handle, and now Mr. Palmer of MABS is setting up banks in the part First National doesn't want. The bank is shooting for a 10- to 15-mile radius in which to work.

Mr. Bramlett estimates that the program helps First National compete for auto loans against about 10 to 12 banks in its trade area. The reason: No matter what bank a loan applicant does business with, when he or she applies for a loan to a MABS insurance agent signed up with First of Skokie, the agent takes the application to that bank.

As Mr. Bramlett points out, if an auto dealership doesn't handle the loan on a sale, and the customer applies to a MABS agent for it, First of Skokie gets the "first shot" at the business.

Mr. Bramlett believes there is another advantage to the program — the loan clientele seems to be better than customers the bank gets through dealerships. MABS customers, he continues, are well insured so that the bank doesn't have to follow up on their insurance. In fact, the agents do the following up.

The belief that the clientele is high quality is backed by the fact that of the 300 loans First National has booked under the program, there have been only two delinquencies. Seventy percent of these loans have been on new cars. Because some loans have been paid out, the bank now has about 200 MABS loans on its books. The bank charges a rate of 14.55% APR, which produces a 12.83% return for the bank.

The bank checks out the agents before signing them up. Says Mr. Bramlett, here, too, the bank has been fortunate in that it has had to terminate connections with only three agents. He advises banks to examine the agents as closely as they do auto dealers with whom they do business.

Earlier, Mr. Bramlett said he believes a 10- to 15-mile radius is most ideal for this kind of program. He underscores this by warning that a bank could get into trouble by trying to serve an area of, say, a 20-mile radius. He also has some advice on the best geographical areas for such a program. His bank is located in what is called "Chicagoland," and so his bank has to compete against big-city banks with strong finance departments. As a result, he believes, many potential customers are lost because these banks get them before they have a chance to contact insurance agents working with MABS. Therefore, although Mr. Bramlett is pleased with the "Quik Cash" program, he believes it would work best in a medium-sized community — about 20,000 population — away from urban areas.

The program has been concentrated in Illinois since its introduction, but Mr. Palmer says proudly that it is nearly "sold out" there now, and he's planning to extend it to other states. Mr. Bramlett sees no reason for it not to work in Indiana, Missouri, Arkansas or anywhere.

The MABS program includes RV and home-improvement loans, but Mr. Bramlett says his bank doesn't make RV loans. It considers home-improvement loans up to $3,000 under "Quik Cash." For a loan of more than $3,000, First National wants to deal personally with the applicant and asks him to go through the Federal Housing Administration or take out a second mortgage on his house.

Mr. Bramlett admits the program doesn't offer First National many cross-selling opportunities. He attributes this to the fact that many of the loan customers already have accounts at other banks closer than First National to their homes or work. Since they get their auto loans through insurance agents and have no personal contact with the Skokie bank, there's no reason for them to switch their accounts there. Of course, he adds, the bank does try to cross-sell its own customers who have auto loans through the program, especially when the loans are paid out.

MABS' Mr. Palmer says the program offers a number of advantages to participating banks, depending on size, clientele and kind of business activity emphasized. Among them are:

• *Better Paper.* Currently, banks in the program are accepting more than 87% of loan applications submitted. Mr. Palmer contrasts this with dealer-originated loan applications, of which only about six out of 10 are granted.

• *No Holder-in-Due-Course.* There is, of course, with dealer-originated paper.

• *Exclusive Marketing Area.* All loan applications in the area selected by a bank go to that bank.

• *Autonomy for Bank.* A bank accepts or rejects each loan individually. It sets interest rates. It determines the amount of money it wants to commit. It selects the marketing area from which it wants loans.

• *Advertising.* MABS provides professionally designed advertising developed to generate loan volume.

• *Right of Cancellation.* A bank always has a 90-day right of cancellation.

• *Better Insurance.* Cars financed through the MABS network of independent insurance agents have better insurance against physical damage than cars financed in other ways. In fact, Mr. Palmer adds, the program has been expanded to include mechanical-breakdown insurance.

In addition, he points out, a bank pays nothing until it has made a loan, and loan profits can be generated for a bank within 90-180 days after it enters the program. • •

Property-Improvement Lending Can Maintain Bottom Line

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

(EDITOR'S NOTE: ICS, a subsidiary of Old Republic International Corp., is the nation's leading private underwriter of property-improvement-loan insurance. More than 1,600 lending institutions nationwide currently are using the ICS plan which, over 26 years, has insured more than $2 billion in property-improvement loans.)

BOTH TIGHT MONEY and uncertain economic outlook for the early 1980s mean that, perhaps more than ever before, financial institutions should be looking for better return on loan dollars.

Prospects for new auto sales and related loans look dim for the immediate future, and retail bank earnings could be adversely affected. However, there is a solution to the problem. An *insured home-improvement-loan program* can maximize total yield and, at the same time, curtail loan losses and improve collections.

This is a period of great change. Our life-styles are changing; energy problems are increasing; housing costs continue to accelerate; new housing starts are off dramatically, and mortgage money is in short supply. These factors all have a major impact on banking and serve to increase the attractiveness of property-improvement-lending programs.

Tight money means loan dollars must be concentrated where they can return the most productive yield. Risk-free property-improvement loans provide excellent returns. And, with new home costs mushrooming and mortgage interest rates escalating, Americans are holding on to their present homes — and investing billions in property improvements.

In our 26 years of serving lending institutions, we've watched home-improvement loans play an increasingly important role in installment-loan profitability. At ICS, our role is to help banks and thrift institutions maximize their profitability while minimizing risk. • •

Controlled Flexibility

(Continued from page 26)

mission recommendations. 5. Relation to state-laws issue. 6. Electronic Funds Transfer (Regulation E).

Again, it will be critical for bankers to get involved through their trade associations or through their individual efforts in contacting their own representatives.

Credit Life Insurance. Customer acceptance of life and disability insurance coverage is averaging about 60% to 65% from month to month. We hope to raise this percentage somewhat through new awareness efforts. We plan to review program benefits at all branch-manager meetings during the year.

In summary, 1980 should be an exciting and challenging time for consumer bankers, who will be busy trying to maintain "controlled flexibility" in face of the increasing need that consumers have to reorder their spending monies as it becomes more and more difficult to fuel and feed the many widespread, varied, but enjoyable, life-styles in America. • •

On Credit Life Sales:

Proposed Policy Statement Would Prohibit Insiders From Benefiting Personally

FEDERAL financial institution supervisory agencies are proposing a policy statement that would prohibit insiders of such institutions from benefiting personally from income derived from sales of credit life, health or accident insurance sold in connection with loans made by their institutions.

The statement was developed by the Federal Financial Institutions Examination Council, which recommended its approval by the agencies. The statement was approved for public comment — to be received through March 31 — by the Comptroller, Fed, FDIC, Federal Home Loan Bank Board and board of the National Credit Union Administration (NCUA).

Proposed policy statement. If adopted, the statement would contain the following provisions:

1. Individual officers, directors and principal shareholders of a financial institution should not profit personally from the sale of credit life insurance to the institution's loan customers.

2. As an accounting operations matter, income derived from credit life insurance sales to loan customers should be credited only to income accounts of financial institutions and not to the financial institution's individual officers, directors, principal shareholders, their interests or other affiliates.

3. Where state insurance laws or other legal considerations preclude a financial institution from using a particular procedure for selling credit life insurance or from disposing of the income in a particular manner, a financial institution that wants to provide this service to its loan customers shall seek and utilize an alternative method that complies with Nos. 1 and 2 above.

4. The proper method for distribution to shareholders or to an affiliated HC of income derived from credit life insurance or other income sources is through a declaration of dividend in conformity with law, rule, regulation and prudent financial practice.

5. Financial institutions not now subject to a rule, regulation or policy statement on disposition of credit life insurance income should be in compliance with Nos. 1 and 2 above within one year following publication in the Federal Register of the final policy statement. Modifications beyond that time will be granted only where a clear hardship exists and satisfactory assurance is provided that compliance with Nos. 1 and 2 above will be achieved within an appropriate time period.

> The supervisory agencies believe that diversion of income from credit life insurance sales to insiders may constitute an unsafe or unsound financial practice.

In the two known states (Texas and Oklahoma) where state insurance laws may preclude financial institutions from receiving credit life insurance commissions, a financial institution that wants to provide such insurance would be allowed to use any other procedure for making credit life insurance available (e.g., the group-policy-refund method), so long as insiders do not profit personally and any income is credited to the financial institution.

The federal supervisory agencies have taken this action because they are aware that it has been a long-standing financial practice in certain parts of the country for officers, directors, principal shareholders (whether individual or corporate), their interests or other affiliates ("insiders") of financial institutions to receive — either directly or indirectly — income derived from sales of credit life, health or accident insurance in connection with loans made by the institutions. According to the agencies, insiders usually receive such income in one of two ways — either by payment of insurance commissions directly to an insider or by payment to an insider of additional salary or other form of compensation based on amount of insurance business generated.

The agencies believe that diversion of income from credit life insurance sales to insiders rather than to their financial institutions may constitute an unsafe or unsound financial practice. They listed the following reasons for their concern:

1. Financial-institution officers and directors owe a fiduciary duty to the institution and all its shareholders not to profit personally from an activity involving use of the institution's facilities, personnel, goodwill or other resources.

2. As an accounting and operations matter, it appears that income derived from insurance sales would be accounted for properly by crediting it to the financial institution's income accounts and not to insiders, their interests or affiliates. Allowing such income to be diverted without entering the income stream seems contrary to the orderly and systematic accounting of funds that is expected of financial institutions.

3. Loan officers may be induced to make loans they otherwise might not have considered sound to receive the commission on the accompanying insurance sale. This could result in a conflict-of-interest situation in which a loan officer's credit judgment might be

(Continued on page 49)

Blue Ridge Mobile Home Park in Shreveport, La., contains homes situated on neatly manicured lawns facing wide streets. Trees and shrubbery give air of permanence to park, which is located near General Motors plant.

Mobile Home Lending

A Profitable Area in Loan Portfolio

By ROBERT G. GILBERT
Vice President
Commercial National Bank
Shreveport, La.

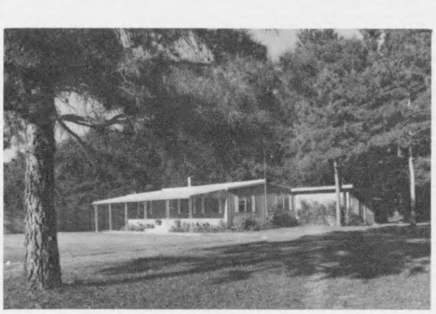
MOBILE-HOME FINANCING produced some sad experiences in the early 1970s for lenders, particularly banks. As a result, they tend to shy away from making such loans.

However, Commercial National in Shreveport has been in mobile-home financing since the mid-'60s and has enjoyed a steady growth in the program since then. In addition, for a number of years, we have been a major source of financing for this type of housing in northwestern Louisiana.

We now are purchasing retail paper from 40 dealers and providing wholesale financing for 15 of these dealers. Currently, we have $67 million of retail paper outstanding on our books. In addition, we have sold approximately $12 million in retail paper to other banks in the past three years. This paper is sold without recourse, with or without service release and with or without credit-bond insurance. Our selling rate is negotiated with the buying bank depending on service expected of us after the sale and whether we are to furnish a credit bond. Paper on our books is mostly nonrecourse paper and without credit-bond insurance.

In the past 14 years our bank has been in mobile-home lending, we have experienced few losses. In fact, our loss ratio on these loans has been less each year than, for example, losses in our car-loan portfolio, which is our second-largest consumer-loan category.

If properly handled, a mobile-home loan is a good loan and one of the most profitable consumer loans. At present, net yield on our mobile-home portfolio is 2¾ % — better than on our car-loan portfolio. During the past several years, on a per-unit basis, our average loss has been less on a repossessed mobile home than on a repossessed car. With the uncertainty in the auto industry and the predicted sales decline in the coming months, I think banks would do well to look at mobile homes. Such financing could be a



TOP: This mobile home was placed on owner's property and won't look much different from many conventional houses when lawn is sodded and shrubbery added.

BOTTOM: This mobile home also sits on owner's property, which has well-kept lawn and tall shade trees. Canopy was added to shade porch area. Out building at right provides for storage.

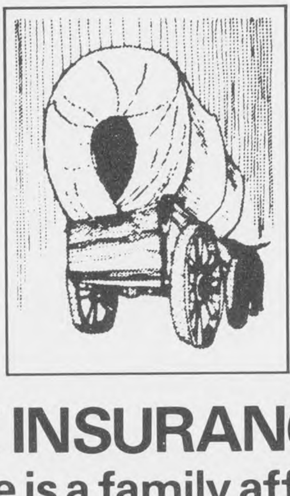
Now there's one big advantage in doing business with Sooner Life:

USLIFE CORPORATION

Sooner Life Insurance Company has been acquired by USLIFE. Which means Sooner Life is now part of the 11th largest life insurance group in America—with over $35 billion of life in force.

This acquisition also means Sooner Life can serve your Credit Life needs even better than before. Because Sooner Life now has greater flexibility in responding to the changing conditions in the insurance business. What's more, Sooner Life is now a key part of USLIFE's strategy for growth.

Part of that strategy is service. And by service, we mean being responsive to your bank's life insurance needs as well as those of your customers. And by always being the life company you can rely on.



So whether you're interested in Credit Life, Credit Accident and Health, Whole Life, "Line of Credit" Insurance, Term, Key Man, Income Continuation, or Group Insurance, Sooner Life can give you the policies you want—at competitive prices.

For more information, contact James A. McNeese at 405-762-5631.

You'll be dealing with the company that's joined the USLIFE family of companies. And that's to your advantage.

SOONER LIFE INSURANCE COMPANY

life is a family affair

P.O. Drawer 751, Ponca City, Oklahoma 74601

LEFT: Pinecrest Mobile Home Village is one of several fine mobile home parks located in Shreveport area. RIGHT: This club house and swimming pool are for use of residents of Pinecrest Mobile Home Village, thus providing them with extras similar to those enjoyed by persons living in conventional subdivisions and condominiums.

profitable addition to their consumer-loan portfolios.

I think banks tend to shy away from mobile-home financing because they had some sad experience with it in the early '70s. However, with all due respect, I believe that, for the most part, problems connected with these loans were of the banks' own making.

Many banks let service companies make decisions that should be made by the banks. My advice is, "If you are going to contract with a service company to bring in business and base its compensation directly on volume of business generated, you should keep a close handle on the operation." Some banks didn't do this, and results were catastrophic. Because the loans were for mobile homes, the latter were given a black eye in the '70s. I think some of these banks would have had the same unfortunate experience regardless of the item being financed if it had been handled in the same manner as mobile-home loans.

We don't find mobile-home financing much different from other loans. The applicant should have a good credit rating and the ability to repay. If you don't know what the dealer cost of a unit is, ask the dealer to give you a copy of his invoice. Base your loan advance on the unit's dealer cost, plus whatever additional percentage will make you comfortable with the loan. Our advance is 115% of invoice plus cost of central air, washer and dryer. There is no additional allowance for upgraded furniture that didn't come with the home, sales tax or setup cost. Don't base your advance on a percentage of the selling price as a down payment. All dealers don't use the same markup. A 10% to 12% down payment may be acceptable if the dealer uses a low markup. You may need 15% to 20% if the dealer uses a high markup. Most of the time, the markup depends on the competition in your trade area.

In Louisiana, mobile-home financing is governed by the Louisiana Motor Vehicle Act. Paperwork and documentation are the same as on car loans. However, because we are advancing larger amounts per loan, our setup cost on a dollar outstanding basis figures considerably less. Once the loan is on the books, the service cost is about the same as with any other consumer loan. Needed are a good insurance follow-up system and experienced personnel in the adjuster area.

It's not true that mobile homes are always disappearing. Most families who live in such dwellings financed by us move no more frequently than do any of our other consumer-loan customers. During the long period our bank has been financing mobile homes, we have never had a skip that we did not locate and, offhand, I can recall only two or three instances where we had a customer who moved the home with the possible intention of hiding it from us. We also have been fortunate in that we have never had a loan on a home that was destroyed and was uninsured at the time of loss.

It's important to have a good insurance follow-up and to make sure the home is properly covered at all times. The contract should provide that if a customer fails to renew his insurance, the lender is authorized to place coverage for him and add the cost to his contract. We seldom find this necessary, but we do exercise this option if the customer fails to respond to our insurance-expiration notices.

The difference between a profitable or a mediocre mobile-home program is the lender's ability to handle repossessed units properly. We learned in the early days of our program that we couldn't just drag these units in and wholesale them. In the first place, a lender who does this will take a beating on the wholesale price and, secondly, most dealers simply are not equipped to properly recondition a home that has been damaged or maintenance neglected. They would find themselves financing resales of these patched-up homes and thus asking for additional problems.

We felt that by properly repairing and, if necessary, refurnishing our repossessed homes, we would have products we would not hesitate to finance the second time. In our opinion, this would cut our losses considerably. To accomplish this, we contracted with one of our major dealers to construct a complete repair facility and staff it with the most qualified personnel in our area. This facility, Trade Mart Mobile Home Repair Co., Inc., is located in Bossier City, La. Foremost Insurance Co., Grand Rapids, Mich., tells us this is the most complete repair facility Foremost knows of in this part of the country. It is used only to recondition our repossessions and units owned by the dealer with whom we contracted to construct the plant.

In 1979, about 150 of our repossessions were reconditioned and subsequently sold from the repair plant. Cost of maintaining the facility figures at less than $200 per new contract put on our books. We are pleased with this operation and believe it has made a major contribution to the overall success of our program.

During the past three years, our outstanding has been increasing steadily, and so we have been selling some of our paper to other banks. This has proved to be satisfactory to us and purchasing banks. At present, we are selling paper on a weekly basis to one of our major upstream correspondent banks. This paper is being sold on a nonrecourse basis with a credit bond issued by Foremost Insurance. We were able to put together this three-way agreement between Commercial National, Foremost and our correspondent bank because of the confidence the buying bank and Foremost have in our ability to handle repossessions properly. We now are several months into the program, and it's working well.

In 1978, according to information from the Louisiana Manufactured Housing Association, 40% of all single-family housing started in our state were mobile homes. Louisiana ranked fourth in the nation in mobile-home sales in 1978. Of all states without a substantial retirement community, Louisiana ranked No. 1. This indicates to me that many of our present bank customers prefer mobile-home living, and more of them will do so in the future.

I hope that banks now would take another look at mobile-home financing. Most of the myths that have circulated in recent years in the banking field about such loans simply are untrue. If properly handled, mobile-home financing can be one of the most profitable areas in a bank's loan portfolio. ● ●

CRA Guidebook Available

COMPTROLLER John G. Heimann has published a guidebook designed to help bankers meet their local community credit needs, as required by the Community Reinvestment Act. The publication is called "Program Guidebook to Help Meet Community Credit Needs."

The guidebook describes 40 federal, state and local government development programs in which banks may participate directly. Included are several affirmative marketing programs that may be used to actively promote existing credit and services. The guidebook also contains names, addresses and telephone numbers of key agency personnel to contact for additional information. Supplementary materials will be issued periodically to guidebook users.

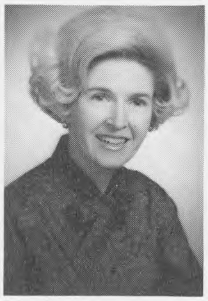
The guidebook is being distributed to all national banks, national bank examiners, government officials and community organizations throughout the country. For further information, contact: Michael B. Barton, Director, Community Development Division, Comptroller of the Currency, Washington, DC 20219.

Mobile Homes

Popularity Grows As Costs Soar On Conventional Homes

By JANE BERRY

Jane Berry is housing and home-furnishings specialist, Agricultural Extension Service, Texas A&M University, Houston. She is responsible for housing and home-furnishings educational and informational programs for youths and adults and supports work of a county-based professional staff in planning, implementing and evaluating educational programs in various housing, home-furnishings and related areas.



Among her activities, Mrs. Berry helped develop a series of 13 30-minute TV programs on home care and maintenance, which are aired on public TV in 34 states, has written numerous consumer-oriented how-to-do-it publications for home owners and has developed visuals, publications and teaching materials geared to help home owners improve thermal efficiency of all types of housing.

She holds three university degrees, including Ed.D. in extension education, and has done graduate studies at four universities.

EDITOR'S NOTE: With conventional housing out of reach of the average prospective home buyer because of high interest rates and inflated prices, the mobile home may provide some people with affordable home ownership. In her article, Mrs. Berry describes results of a mobile-home study she made. What she found may be of interest to bankers who already make mobile-home loans and to those who are thinking about offering such loans.

FEW INNOVATIONS in housing have had the far-reaching effects attributed to the mobile home. In its growth from supplier of temporary housing for those in transit in the early '30s to an industry that currently accounts for nearly all low- and moderate-price housing, the mobile home continues to face change.

Trends

Lower Cost Creates Demand. Mobile homes continue to gain favor as an alternative to increasingly expensive conventional housing. Prices of mobile homes are rising more rapidly than prices of conventional housing, but the gap has grown wider in actual dollars. Between 1974 and 1978, the average price of a new house increased 61%, from $38,900 to $62,500. During the same period, average cost of a new mobile home rose from $9,300 to $15,900, a 71% hike. At a time when conventional housing is bracing for a drop in construction starts, the mobile-home industry is gearing up to boost production beyond the 1979 level. The U. S. Department of Commerce has predicted that manufactured housing will lead all U. S. industries in rate of growth during the period from 1977 through 1982.

Better Product, Greater Acceptance. Beefed-up construction standards made effective by the Department of Housing and Urban Development (HUD) three years ago, coupled with mandatory tie-down legislation enacted by several southern states, have done much to improve acceptance of the mobile home. More stringent standards have resulted in a higher-quality product with enhanced safety features and potential for permanency.

Permanent Housing for More Families. Retirees and young families previously were the two major markets for mobile homes. Changes in public attitude, housing costs and a vastly improved product have been responsible for a dramatic shift by the middle-aged-middle class to mobile homes. These same factors also have contributed to a growing increase in those who consider the mobile home permanent housing.

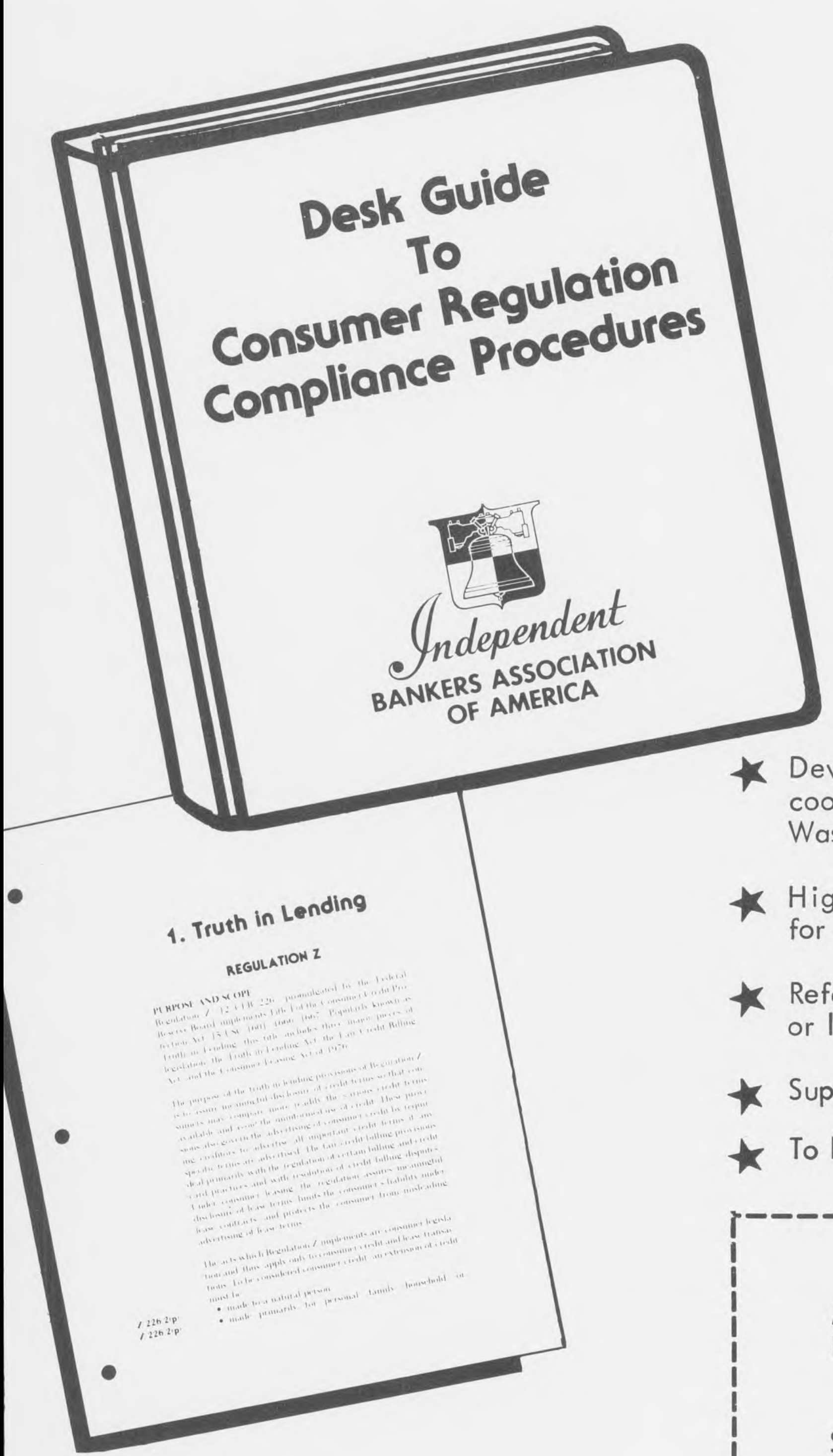
Zoning Still a Problem. Zoning laws often relegate mobile-home owners to rental parks or to rural areas with more lenient zoning. In fact, many of the 24,000 mobile-home parks are located in rural areas. Zoning has been relaxed in some areas to permit location of units in more favorable surroundings, but resistance by local government continues to be a problem plaguing the industry, the communities themselves and families in need of affordable housing.

Move to Owned Site. Another change gathering momentum is the move to the owned mobile-home site. With mobile-home sales outpacing development of rental parks, the owned site has evolved as an alternative for an increasing number of mobile-home owners. Though it varies by area, 60% of all mobile homes are on owned sites, either in subdivisions or on individual lots or tracts of land. Previously around 35% were located on owned sites. Predictions are that the trend to site ownership will increase in the coming years.

Site Ownership

Mobile-home owners opting for an owned site over space in a park consistently make use of the following in justifying their decision:

Shortage and Distaste for Parks. In spite of improved park conditions, a sizable portion of mobile-home owners still view them with distaste. Home owners who prefer a park to an owned site often find waiting lines intolerably long or that available park spaces will



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not accommodate increased width of newer units.

Site Costs. Lot rental in a mobile-home park ranges from $45 to $125 or more per month, with $60 and $90 per month accounting for the greatest percentage. Increased operating costs have forced many parks to raise rents to levels considered excessive by many mobile-home owners. Owners who "put a pencil to it" often find they can own their own site for less than the cost of rental space in a park. Increasingly, mobile-home buyers are becoming aware that locating the unit on an owned site balances the unit's depreciation against appreciation in value of the land.

Liberal Financing. Liberalization of mobile-home financing has spurred increased interest and sales by making it possible to finance the mobile home and the land at a lower interest rate with a single mortgage. Lower down payments and longer-term mortgages also add to the attractiveness of the mobile-home-on-site package.

Site Ownership Fulfills Goal. The American ideal of home ownership implies ownership of both the housing structure and the land to which it is attached. A growing segment of the population currently is able to satisfy its goal for home ownership only through the mobile home. Ownership of the mobile-home site helps bring the "ideal" much closer to reality.

Characteristics

As a group, mobile-home owners often have been homogenized on the basis of the housing they have chosen. Though they are generally described as solid, middle-class families, they are frequently "sorted out" on the basis of various characteristics and tendencies because they either rent or own a mobile-home unit. Most studies, including those of the U. S. Census Bureau, have yet to acknowledge that on the basis of land or site ownership, mobile home owners are in reality equally divided into two groups: Owners and renters.

A recent study of mobile-home owners in the Baton Rouge metropolitan area suggests that some of the same attributes traditionally used to distinguish owners and renters of conventional housing also exists among mobile-home owners who own and who rent mobile-home sites. Interviews, conducted with a 10% random sample of mobile home-owners in a subdivision, in 34 parks and in individually sited units, revealed numerous differences.

Demographic Characteristics. Site owners had larger households, higher incomes and more often held administrative and managerial positions. Retired home owners were more likely to rent space in a park rather than own the mobile-home site. Though there were no differences in intentions to move from the mobile home, three times as many park dwellers planned to move the mobile home to another location.

Housing Characteristics. Compared to their site-renter counterparts, homes of site owners were newer, more costly and larger, equipped with more "luxury-type" appliances and more often were equipped with anchors or tie-downs. Landscaping, patios and decks, carports, fenced yards and other exterior amenities that tend to make a home more immobile more often were found on owned sites. With larger and newer units, site owners spend more monthly for housing. However, they spent significantly less for payment on the owned site than their counterparts spent for park rent.

Beefed-up construction standards have done much to improve acceptance of the mobile home.

Housing Satisfaction. A high degree of satisfaction was voiced by both groups for the mobile home. In fact, less than 9% were discontented with the mobile home *per se.* Satisfaction with surroundings was another matter. Park residents felt the presence of a multitude of serious neighborhood problems and, in short, felt their surroundings left much to be desired. While the vast majority of site owners were well pleased with both the mobile home and surroundings, nearly 25% of site renters were disenchanted with park conditions.

Housing Aspirations. Previous studies focusing on park residents have found widespread preference for the mobile home over other housing options. Site renters in the Baton Rouge study also preferred a mobile home in a city location. The goal of many younger families, however, was to own a lot or small tract of land for the mobile home.

Site owners had a much stronger orientation to a conventional house, with more than 60% preferring it over the mobile home. Site owners often regarded the mobile home and site ownership as necessary "stepping stones" to conventional home ownership. Nearly three-fourths of site owners who were discontent with the mobile home were in the process of building a house on the mobile-home site.

Social Participation. Home owners traditionally have been credited with more active involvement in community issues and affairs than those who rent. In the comparison of mobile-home owners, those owning the sites were found to be more actively involved in a variety of organizations in the community, more often assumed leadership roles and were more likely to have voted in local and presidential elections than their site-renter counterparts.

Conclusions

As prospects for conventional home ownership dim for more families, the mobile home will continue to fulfill the goal for a growing segment of low- and middle-income families. Parks will continue to attract mobile-home owners seeking a less-binding commitment to place, fewer upkeep responsibilities and more "protected" surroundings. Families who are little different from conventional home buyers will continue to be drawn to ownership of mobile homes and owned sites. Such an arrangement contributes to greater satisfaction with mobile-home living and to home owners who are more actively involved in their communities.

Installment-Lending System

Maximum yield, accurate Regulation Z disclosures and increased credit-life sales? What banker doesn't want all these installment-lending benefits? There are firms that offer banks programs to attain them.

For instance, Victor Business Products, Chicago, has an installment-loan system that, it says, computes odd-days interest and gives maximum interest dollars for the particular interest rate entered and annual percentage rate (APR) disclosed. It enables a loan officer to tailor loans to customers' needs, offering skip or balloon payments along with standard installment contracts or single-pay notes.

The firm's system also is designed to increase credit-life sales, according to a spokesman, through ease of operation and variety of payment options. In fact, he adds, Victor users have seen penetration in credit-life sales boosted by 50%-60%.

The system offers capabilities to handle a variety of loans, including those for mobile homes, autos and recreation vehicles (RVs). In addition, Victor offers an auto-leasing program, pointing out that because more than 50% of cars now are being leased, this is a market banks should not ignore.

Debt-Collection Agency Named For Alleged Harassment

The Federal Trade Commission (FTC) is seeking a court order against a Florida debt-collection agency for alleged violations of the 1979 Debt-Collection Act. The act outlaws abusive and harassing tactics to collect debts.

Among other charges, the FTC alleges that the agency (1) made abusive and harassing phone calls to debtors, (2) falsely represented its employees as attorneys and (3) improperly communicated with third persons, such as employers, about consumers' delinquent debts.

The FTC is asking the court to order the agency to pay a civil penalty and to include a disclosure notice in its first written communication with a debtor that the individual has the right to ask the company to stop all communications with him or her concerning the debt and that the individual can contact the FTC concerning problems or questions.

This action and a similar complaint filed against a Cleveland collection firm are the FTC's initial enforcement of the 1978 act.

The Bankruptcy Reform Act of 1978: Its Impact on Consumer Credit

By PETER D. SCHELLIE
Baker & Daniels
Washington, D. C.

A MAJOR FACTOR in the timing and political push behind new bankruptcy legislation (Bankruptcy Reform Act of 1978) is the virtual explosion of consumer credit that has occurred over the past two decades. Because of that extensive growth, activity once limited both in scope and constituency now is of concern to virtually all consumers.

Accompanying the substantial increase in the amount of consumer debt is a significant change in the nature of credit. Simply looking at the total amount of outstandings is less helpful than considering its constituent parts, since a large part of this debt results from various forms of revolving credit. Perhaps more important in considering potential consumer bankruptcies is the fact that the accounts involve credit lines far in excess of actual debt outstanding.

It is this relatively recent phenomenon of large credit lines that seems to me to be the aspect of consumer lending involving the greatest potential exposure for lenders. While in the past the far more typical form of lending — installment lending — provided safeguards in that lenders had an opportunity to check consumers before each transaction, now many consumers — certainly in my case — have access through existing credit lines to potential debts far in excess of those they could repay. This concern was voiced last year in a letter to national bank presidents from Comptroller John G. Heimann.

The talk on which this article is based was given by Peter D. Schellie at the ABA's 1979 convention.

The new act establishes for the first time a set of *federal exemptions* that clearly are more generous than those that exist in most states.

These comments certainly are not intended as criticism of the advent of open-end credit, which has provided consumers with greater credit flexibility and greater access to goods and services than before. When considering the impact of potential consumer bankruptcies, however, it is important to keep in mind that not only the magnitude of consumer-credit outstandings, but the nature of the credit involved creates significant differences that will give rise to increased lender concerns under the new Bankruptcy Act.

It is important to recognize that the new law is another consumer-protection, or more aptly, consumer-benefit statute. Highly significant is the change in reference to those engaged in bankruptcy proceedings as "debtors" rather than as "bankrupts." This change evinces congressional intent that, if not encouraging consumers to look to bankruptcy procedures for relief, certainly involves an attempt to reduce the social stigma involved in filing in bankruptcy court. This approach presumably was undertaken with a full recognition that increased creditor losses would be borne by all consumers. Thus, here again, a congressional determination has been made that there is social utility in reallocating costs occasioned by a few individuals as creditors and, ultimately, all consumers.

In this context, it is appropriate to consider a thumbnail sketch of the two types of bankruptcies involving individual or consumer transactions, in order to describe them generally and to point out some ways in which they have been changed by the new act. These two types of federal relief are found in Chapter Seven of the new code involving liquidation bankruptcies and Chapter 13 relating to arrangements or plans under which creditors are paid in accordance with a revised payment schedule.

Chapter Seven provides the general rules for the traditional straight or liquidation bankruptcy. Basically, in this proceeding the debtor places all his assets under the jurisdiction of the court. The latter — working through a trustee — reduces those assets to cash and equitably distributes that cash to creditors, and the consumer is given a fresh start, discharged of all pre-petition debts. A liquidation bankruptcy may be initiated voluntarily by virtually any consumer or may be initiated by creditors subject to certain limitations as to numbers of creditors and amount of debts outstanding. It is started by filing a petition with a newly created and stronger bankruptcy court. When the filing is done, an automatic stay goes into effect requiring creditors to stop immediately all efforts at collecting or realizing on their debts. An interim trustee is appointed, and creditors hold their first meeting, at which administrative problems are addressed and inquiries may be addressed to the debtor. The trustee then assembles an expanded debtor's estate, tries to discern whether any transfer should be voided as being preferential or fraudulent and then dis-

tributes the estate in accordance with specific priorities.

To participate, creditors must file with the bankruptcy court a claim that is subject to scrutiny by the trustee and other interested parties. At completion of the process, the debtor is discharged from all pre-petitioned debts subject to certain limited exceptions. Right of reaffirmation — that is, reaffirming one of the consumer's debts — is limited under the act and must, in each case, be subject to a 30-day right to cancel by the consumer and, in many instances, may be undertaken only after express court approval.

Although this procedure has been subject to many changes, here are just

The new law is another consumer-protection or . . . consumer-benefit statute.

a few to give bankers some idea as to the magnitude of the new act's impact.

First, the new act establishes for the first time a set of *federal exemptions* that clearly are more generous than those that exist in most states. For instance, $7,500 for each filing consumer is exempted for real estate interests, and $1,200 of equity in an auto is exempted. All household furnishings and goods, wearing apparel and the like are exempted, so long as no one item is worth more than $200. With respect to any property owned by the consumer, the federal exemptions provide a general "grubstake" exemption of $400. In addition, any unused part of the $7,500 real-estate exemption may be used to exempt any property.

Second, strict limitations have been placed on a consumer's ability to *reaffirm a debt* that otherwise would have been discharged in bankruptcy. Under a compromise adopted on the Senate floor, a consumer can reaffirm a specific debt only (1) before discharge is granted, (2) if the consumer doesn't exercise a 30-day right to cancel the reaffirmation and (3) in the case of consumer debt, if the court itself has made certain that the consumer understands his rights and obligations. In addition, consumer debts not secured by real estate must be the subject of a hearing before a bankruptcy judge. At that time, basically, the judge must determine that the reaffirmation is in the consumer's best interests. As a result, the reaffirmation mechanism used by many lenders will be available only under tightly controlled conditions.

Third, the traditional *right* of a banker *to set off debts* against accounts held by a bank also has been limited. The new act removes the affirmative right granted to bankers to set off, leaving banks to rely on the common or statutory laws of their respective states. In addition, limitations have been placed on ability of bankers to improve their positions in the period immediately preceding the start of the bankruptcy proceeding. The breadth of the consumer's estate as defined in the new act and impact of the automatic stay also may place additional restrictions on use of the setoff. These issues and concerns will prevent bankers from being able to look with certainty to the availability of the debtor's funds the bank has on deposit.

Fourth, the consumer is granted the *right to redeem* property held by a secured creditor on payment of the current value of that security to the creditor. This redemption right means consumers will be able to obtain property that otherwise would have been taken by the bank, but only if they receive payment in an acceptable form.

A final illustrative change involves excluding debts from the *general discharge* given a consumer who completes the bankruptcy procedure. As a general rule, of course, at the end of the bankruptcy process, all the debtor's pre-petition debts are discharged. However, that is subject to a creditor's right to object to the discharge of a debt and to seek a determination that specific debts are non-dischargeable. An important basis on which debts can be declared non-dischargeable involves debts incurred on the basis of fraud or knowingly giving false information in a financial statement. Under the new act, however, if a bank attempts to have a debt declared to be non-dischargeable and does not prevail, the bank, in most cases, will be forced to pay all costs incurred by the debtor in defending against the objection, including his attorney's fees.

These and other significant changes will cause Chapter Seven liquidation bankruptcies to continue to be a significant part of bankruptcy law and, doubtlessly, will be used by an increasing number of consumers.

Chapter 13. Perhaps one of the most striking changes made by the act is a revitalization of Chapter 13 that previously involved wage-earner plans. Under the new act, those other than wage earners, such as sole proprietors or persons on welfare, also may use these arrangements. Under an arrangement, a consumer is allowed to submit a plan to the court that provides either for payment over a longer period of time, referred to as an "extension," or payment of less than the total amount of the debt due, referred to as a "composition." A plan generally cannot extend over more than three years, but the court can allow a longer period as long as it does not exceed five years.

These arrangements are available to debtors who have $100,000 or less of unsecured debts and $350,000 or less of secured debts. Because of the many benefits to consumers, it seems likely that there will be a significant increase in use of Chapter 13 arrangements. The consumer is allowed (1) to retain

The traditional *right* of a banker *to set off debts* against accounts held by a bank has been limited.

use of his property throughout the term of the plan, (2) to have the benefit of an automatic stay against collection efforts against both the debtor and parties who are secondarily liable for the debt, (3) to make payments over a longer period of time or make smaller payments and (4) to carry out a plan, be discharged of all pre-petition debts while, in most instances, not giving up the right to file for a Chapter Seven liquidation bankruptcy at any time in the future.

Of major concern to the creditor is the fact that Chapter 13 plans can be undertaken without the consent of unsecured creditors, so long as it can be shown they would receive as much in an arrangement as they would if the consumer's property were liquidated and proceeds distributed to those creditors. Moreover, in a major departure from the old law, the new act allows the debtor to cram the plan down the throat of some secured creditors, literally referred to as "cram-down," so long as there are assurances that the secured creditor will obtain the security's current value.

In light of these significant changes in bankruptcy laws, bankers quite properly are asking about the impact of these changes on their banks. I would suggest that the most important response is, "*Don't panic!*" Much has been said about the fact that a liberalized bankruptcy procedure will cause vast numbers of consumers to use these procedures. While there certainly will be an increase in number of filings, I think only time will tell whether the magnitude of that in-

crease justifies dramatic action on the part of a bank.

As a response to these changes, I would propose that banks consider undertaking at least a three-step program:

First, a bank should re-evaluate policies and procedures involved both in credit granting and in monitoring the source of loan losses. This does not necessarily mean drastic changes, but simply a review, for instance, to take in to account the fact of increased federal exemptions. It's possible that existing loan policies allow consideration of property that would be exempt under the new act. It's possible that types of property involved should be re-evaluated or that required-asset levels should be increased. As important in this re-evaluation process, the bank should be certain that its loan-recovery procedures include close monitoring of its experience under the new act, perhaps through the internal-auditing procedure. This information-gathering step will alert the bank as to the actual impact of the new law on the bank and allow it to determine what additional changes or adjustments to its policies and procedures are necessary.

Second, if a bank has not done so, I would suggest that it establish a specific, formal procedure for handling matters involving bankruptcy. Assuming there will be at least some increase in bankruptcy filings, I think it's important to establish and maintain a procedure that assures proper handling of notices. Careful and expeditious routing and handling are particularly important in bankruptcy cases that can move quickly and where a failure to act can affect adversely the bank's legal rights and even its right to recover at all.

Third, in making changes in policies and procedures, it's important to maintain a balanced perspective. As noted above, lending-policy decisions and approach vary greatly from bank to bank and are based on a variety of factors. Clearly, the impact of the new law requires that it become one of those factors used by banks to form their lending policies. Including the new bankruptcy law as a factor, but — in the absence of actual experience under the act — not necessarily making it the determinative factor will provide an important step toward an appropriate reaction to the new law without needlessly upsetting carefully considered business judgments and compliance with consumer-credit and other statutes and regulations. ● ●

APR Calculation to Be Easier Because of TIL Amendments

AMENDMENTS to Regulation Z — Truth-in-Lending (TIL) — have been announced by the Fed. They have a bearing on disclosure to borrowers of the annual percentage rate (APR) and other credit terms.

The changes, proposed for public comment last August, are designed to promote greater uniformity and accuracy in the calculation of the APR by creditors and to simplify its use so that ability of consumers to shop for credit will be enhanced.

The amendments will become mandatory October 1, but may be put in use at any time before then. The Fed acted after consideration of numerous comments on its August proposal, mostly favorable.

MINOR IRREGULARITIES PROVISIONS FOR APR COMPUTATIONS

No matter what the unit-period is

For a term of the transaction of . . .	Up to 1 year	1-10 years	Over 10 years
The first period may be treated as regular even though it differs from regular by up to this many days:	6 shorter 13 longer	11 shorter 21 longer	any number shorter 32 longer

AND

Any payment irregularity that results from the first period irregularity may be disregarded

The three most important changes adopted by the Fed relate to: 1. Tolerances permitted in disclosure of the APR. 2. Special treatment accorded certain minor irregular-payment schedules — generally entered into as a convenience for customers, such as a long first-payment period to make payments coincide with a customer's payday. 3. Protection provided creditors against liability for errors in APRs and finance charges resulting from use in good faith of faulty calculation tools.

Amendments adopted include:

1. As a general rule, an APR will be considered accurate if it is within ⅛ % above or below the correct APR. The current rule permits only the precise rate or rounding to the nearest ¼ %.

2. The minor-irregularities provision provides essentially the same latitude as now available for computing an APR, while making it easier to determine which irregularities fall within specified permissible ranges. (See the accompanying chart, which illustrates provisions of the amended rule for tolerance of minor irregularities in computing the APR.) A parallel provision that relates to computation of the finance charge and other terms also has been adopted, to make similar protection available to those creditors who would have difficulty taking account of payment-schedule irregularities.

3. Reg Z states that an error in the disclosed APR because of a corresponding error in a chart or table used in good faith by a creditor is not a violation. The Fed has extended this rule to errors resulting from malfunction of any calculation tools used by the creditor in good faith, without regard to type.

The Fed also took action on several other special exceptions relating to the degree of accuracy in the APR, certain common creditor practices and revisions of Supplement I to Reg Z.

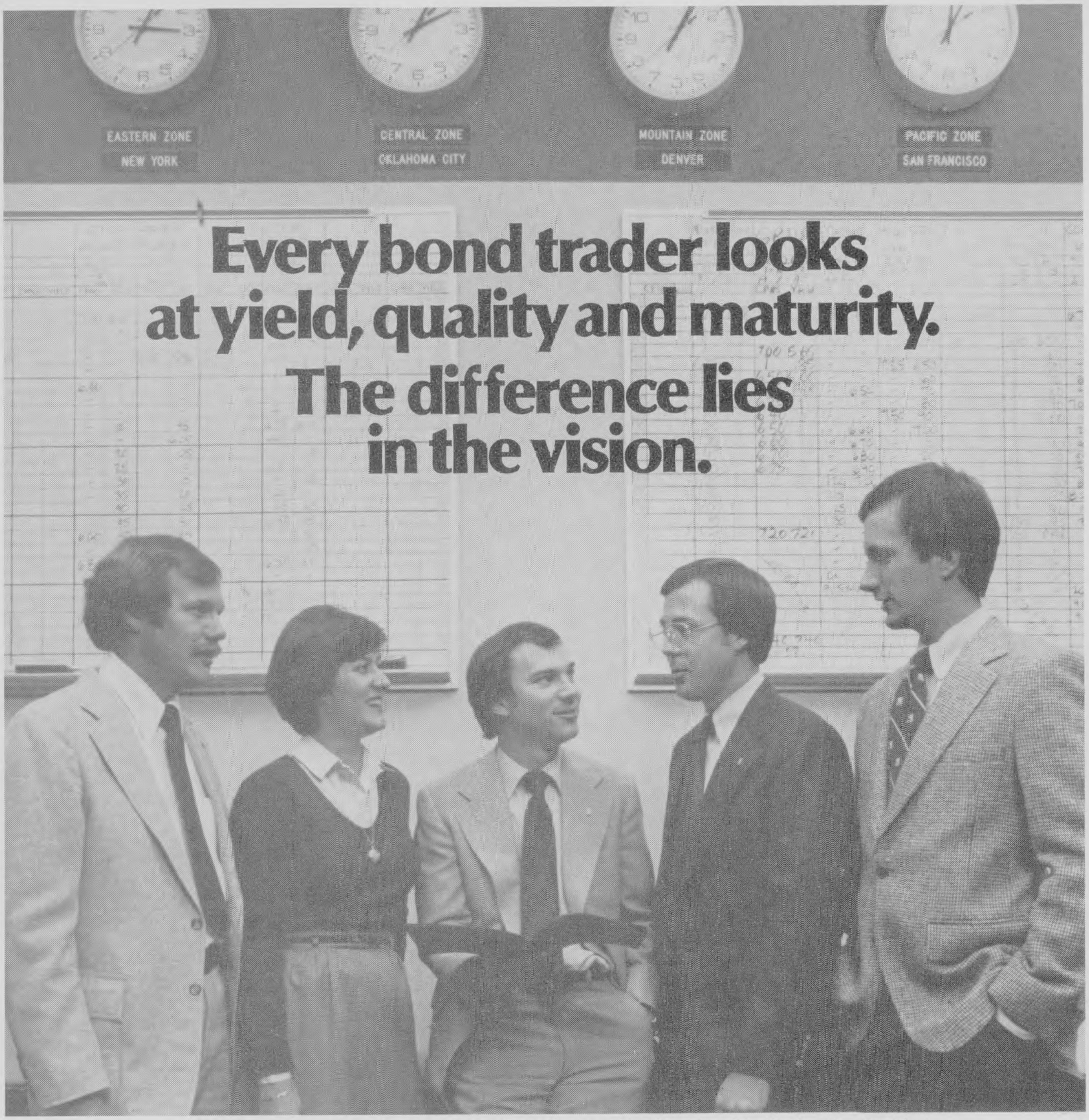
The Fed decided not to adopt certain changes it had proposed to make in Volume I of its APR tables, as well as several minor revisions relating to open-end credit. ● ●

New United Mo. Directors

KANSAS CITY — United Missouri has named Norman C. McCain and Richard B. Cray to its board. Mr. McCain is chairman/CEO, United Farm Agency, Inc. Mr. Cray is president, McCormick Distilling Co., Weston, Mo.

Eight Promotions Announced

BATON ROUGE — Eight employees of Fidelity National were promoted to assistant vice presidents. They are: Don Mullen, Martha Bickham, Shirley Cifreo, Kevin Smith, Steve Lousteau, Keith Bergeron, Raymond Bueche and Glen Smarada.



Rod Stell, Assistant Vice President; Nancy Greer, Assistant Vice President; Tim Wadley, Vice President; Baxter Boughan, Investment Officer; Jim Tappan, Assistant Vice President

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Wage Garnishment

The Most Effective Collection Tool For Certain Types of Deadbeats

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

(EDITOR'S NOTE: Lipman G. Feld is a retired Kansas City attorney, who now devotes most of his time to free-lance writing and is a regular contributor to MID-CONTINENT BANKER.*)*

AFTER more than 20 years' experience in collection work, I have found garnishment to be the most effective collection tool a creditor has for certain types of deadbeats.

I refer to debtors with jobs. To sue an unemployed debtor or one completely protected by garnishment laws seems to me a waste of money and legal fees.

Certainly, there is an increased collection cost to the creditor in states lacking garnishment laws, such as Texas. Lack of garnishment laws also can result in a few instances of pressure collection by uneducated collectors, and this results in harassment suits or delivery of insufficient-fund checks to the creditor.

So fascinated have I become in this subject of harassment and bad checks that I made two studies for the National Association of Credit Management ("Harassment and Other Collection Taboos" and "Bad Checks and Fraudulent Identity").

Garnishment is effective because of the fear and uncertainty in the deadbeat's mind. The deadbeat has a job and fears that garnishment will result in loss of the job. Also the deadbeat's fellow office workers do not enjoy coping with the uncertainty in the garnishment summons and the changing federal laws that make the amounts that can be garnished different every year in some states. Every collector must know whether state or federal law applies. The law applicable is the law most favorable to the deadbeat.

In some instances, no garnishment applies to earnings of the head of the family. We live in an era of equal rights. Is it the highly paid mother or the low-paid father? Courts of appeal can write ponderous decisions, but the judge where the garnishment is filed will base his decision on his common sense, which may not be sensible at all nor in common with recorded decisions of courts of appeal. You can see how popular the employee whose wages are garnished frequently can become with the fellow employee charged with preparing paychecks.

I remember one tough, smart young woman who worked for me as an administrative assistant. Her real ambition was to be as smartly dressed as a model on the cover of *Vogue*. So she overspent on gorgeous suits and coats. When the collector from a large women's ready-to-wear telephoned her and advised he was going to garnish her wages, she rushed into my office with tears in her eyes. I told her I would not fire her. A suggestion was made that we figure out the amount of her disposable earnings the store could get. Then she should offer to sign a paper for the payroll department to deduct that sum out of her disposable earnings each period covered by a garnishment. The woman, clothed like *Vogue*, quit crying, and I never heard any further conversation on garnishment or saw any tears.

Federal law now protects from garnishment the first $93 of a worker's *disposable earnings*. The law's restrictions on garnishment are based on an employee's disposable earnings, which are different from his gross pay or his take-home pay.

> "Federal law now protects from garnishment the first $93 of a worker's *disposable earnings.*"

What Is Garnishment? "Garnishment" means any legal or equitable procedure through which earnings of any individual are required to be withheld for payment of any debt. Most garnishments are made by court order under which a creditor seeks to reach an employee's earnings before they are paid, so that they may be applied to the satisfaction of a claim against the employee. Since a voluntary wage assignment is a transfer of the right to receive wages, ordinarily effected by means of a contract, such wage assignments are not within the scope of this law. If a legal proceeding to enforce a wage assignment results in a judgment with a garnishment order, the law then would be applicable.

Wages Subject to Garnishment. The

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For more information, contact Curtis E. Skinner, Senior Vice President, The Northern Trust, 50 South La Salle St., Chicago, Illinois 60675. Telephone (312) 630-6000.

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The Northern Trust

EFFECTIVE JANUARY 1, 1980 ($3.10 per hour)

Weekly	Biweekly	Semimonthly	Monthly
$93 or less: NONE	$186 or less: NONE	$201.50 or less: NONE	$403 or less: NONE
More than $93 but less than $124: AMOUNT ABOVE $93	More than $186 but less than $248: AMOUNT ABOVE $186	More than $201.50 but less than $268.67: AMOUNT ABOVE $201.50	More than $403 but less than $537.33: AMOUNT ABOVE $403
$124 or more: MAXIMUM 25%	$248 or more: MAXIMUM 25%	$268.67 or more: MAXIMUM 25%	$537.33 or more: MAXIMUM 25%

EFFECTIVE JANUARY 1, 1981 ($3.35 per hour)

Weekly	Biweekly	Semimonthly	Monthly
$100.50 or less: NONE	$201 or less: NONE	$217.75 or less: NONE	$435.50 or less: NONE
More than $100.50 but less than $134: AMOUNT ABOVE $100.50	More than $201 but less than $268: AMOUNT ABOVE $201	More than $217.75 but less than $290.33: AMOUNT ABOVE $217.75	More than $435.50 but less than $580.67: AMOUNT ABOVE $435.50
$134 or more: MAXIMUM 25%	$268 or more: MAXIMUM 25%	$290.33 or more: MAXIMUM 25%	$580.67 or more: MAXIMUM 25%

term "earnings" under federal law means compensation paid or payable for personal services, whether called wages, salary, commission, bonus or otherwise, and includes periodic payments pursuant to a pension or retirement program (stubborn senior citizens can be garnished in some states).

Dollar values of meals and lodging furnished by an employer to his employees generally are regarded as "earnings." However, tips generally are not so regarded. Typically, tips do not pass through the hands of the employer, and so he cannot withhold them if a garnishment order is received.

An employee's "disposable earnings" are that part of his earnings remaining after deduction from those earnings of any amount required by law to be withheld.

Examples of such deductions are:

- Federal-income-tax-withholding deductions (as determined by number of exemptions claimed by the employee for income-tax purposes).
- Federal social-security-tax deductions.
- State- and city-tax-withholding deductions.
- State unemployment-insurance taxes.
- Deductions required under state employees' retirement systems.

Nine deductions not considered to be required by law are:

- Deductions to purchase savings bonds.
- Deductions for contributions to religious, charitable or educational organizations.
- Deductions for union dues and union-initiation fees.

"Garnishment is effective because of the fear and uncertainty in the deadbeat's mind."

- Deductions for board, lodging or other facilities furnished to an employee by his employer.
- Deductions for purchase of stock in the employer's corporation.
- Deductions pursuant to a voluntary assignment of earnings.
- Deductions to repay loans or payroll advances made by employer.
- Deductions for merchandise purchased from the employer.
- Deductions pursuant to garnishment orders.

If federal law applies, it applies only in states where federal law protects the consumer more, and thus not in a state like Texas, where a consumer may have a 100% exemption.

Garnishment-Amount Restrictions (Federal Law). The maximum part of total disposable earnings of an individual subject to garnishment in any workweek may not exceed the lesser of 25% of disposable earnings for that week *or* the amount by which disposable earnings for that week exceed 30 times the federal minimum hourly wage prescribed by Section 6(a)(1) of the Fair Labor Standards Act in effect at the time the earnings are payable. The law also provides that multiples of the weekly restrictions are applicable to pay periods longer than a week.

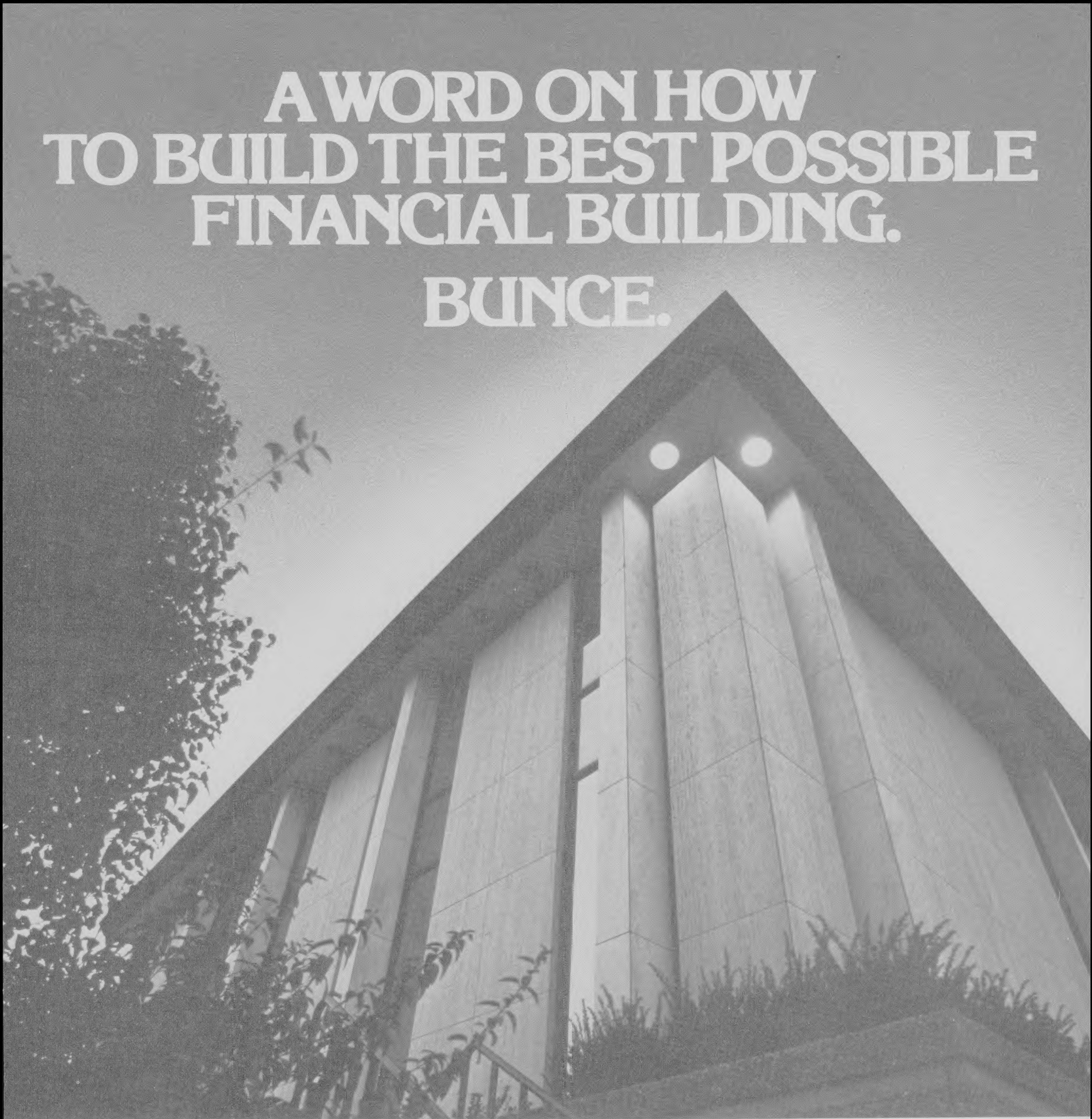
Stated differently, no order or process that provides for garnishment of aggregate disposable earnings of any individual for any pay period may be enforced in excess of amounts shown in the two charts accompanying this article.

These restrictions are controlling for each specific pay period. Thus, if an employee is paid semimonthly under the 1980 schedule, no garnishment may be made where semimonthly disposable earnings are $201.50 or less. It makes no difference whether these earnings were $100 in one week and the rest in other weeks of the period; the semimonthly period is treated as a unit.

It is not permissible to break down to a daily basis the $93 weekly amount protected from garnishment under the 1980 schedule. If an employee whose wage rate is $30 a day works only two days in a week, for example, the week's earnings of $60 cannot be garnished in any amount.

These restrictions represent the maximum amount subject to garnishment, regardless of the number of garnishment orders received by the employer. Thus, if the maximum amount subject to garnishment is being withheld under the applicable schedule to satisfy a current garnishment order, no further withholding can be made from that particular pay if a second garnishment order is received.

Where an employer turns over the total weekly payroll to a local bank, which then puts each employee's net earnings into individual checking accounts established under this payroll system, garnishment restrictions apply to these earnings, even though they are in a bank account and not in the employer's hands. It is the position of the Wage and Hour Division of the Labor Department, also, that an indi-



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TIGHT MONEY
THE HIGH ROAD
THE LOW ROAD

vidual's earnings in any bank account retain their status as earnings and are subject to the act's restrictions so long as they are capable of identification as earnings.

The law specifies that restrictions on the maximum amount that may be garnished do not apply to bankruptcy-court orders under Chapter 13 of the Bankruptcy Act and debts due for state or federal taxes.

A levy against wages for a federal-tax debt by the Internal Revenue Service, pursuant to its tax-collection authority, is not restricted by this law. Tax collection is covered by other federal laws and procedures that provide certain protection for the taxpayer.

Where there is a garnishment order issued for the support of any person, no more than 50% of disposable earnings of an individual supporting a second spouse or dependent child may be garnished and no more than 60% where the individual is not supporting a second wife or dependent child. An additional 5% may be withheld in each situation if there are outstanding arrearages over 12 weeks old.

The support order must have been issued by a court or been issued by a state agency or official if such an administrative procedure is established by state law, provides substantial due process and is subject to judicial review.

Restrictions are based on the minimum wage *in effect at the time earnings are payable*. For example, when a withholding was made after January 1, 1979, under a garnishment order issued by a court before January 1, 1979, a weekly disposable earnings in the amount of $87 or less would not be subject to garnishment, even though the order was issued when the restriction protected a smaller amount. This is equally true with respect to minimum wage rates for 1980 through 1981.

The Federal Wage Garnishment Law does not annul, alter, affect or exempt any person from complying with state laws that prohibit garnishments or provide for more limited garnishments than are allowed under federal law. Any provision of a state law that subjects less of an individual's earnings to garnishment than does federal law will be the one applied under a garnishment order. However, the federal provision is applied if it results in a smaller garnishment.

For example, where a state-law restriction on garnishment to a class of individuals such as householders results in a lesser amount subject to garnishment than under federal law, that law rather than the federal restriction will be applicable. This rule applies even though state law in other respects imposes restrictions on garnishment less favorable than federal law. In those respects, state provisions will be preempted by the federal restriction, and the maximum amount subject to garnishment will be determined under federal law.

Procedural Requirements. There are no procedures that must be followed under federal law, such as filing an affidavit or an application for exemption, in order for limitations on garnishment to apply. A requirement in a state law that the employer or employee must affirmatively claim an exemption as a condition to receiving it, or any other procedural requirement of similar effect, may not be applied to defeat federal limitations.

Where a state restriction on garnishment is more favorable to the employee than under federal law, however, the state provision will be applicable even though its availability is conditional on such a procedural requirement. In cases where the employer or employee fails to follow the procedure and thus loses a more favorable state-law provision, provisions of the federal law will become applicable.

In some states, the entire amount due the employee when a garnishment order is received is impounded until certain procedural requirements are met. The Wage and Hour Division takes the position that such state provisions are preempted by federal law and that the law's restrictions apply to these withholdings. ● ●

Credit Life Sales

(Continued from page 29)

influenced by his or her own desire for personal financial gain.

4. A loan officer who stands to receive an insurance commission might be induced to persuade a borrower to buy unneeded or unwanted insurance.

5. Financial institutions operate largely on public trust and confidence. Arrangements that permit bank insiders to profit at the expense of the institution, its shareholders or its depositors could undermine that trust and confidence and compromise the integrity of the institutions.

While comments on all aspects of the proposed policy statement are invited, those addressing its effect on small banks and their shareholders (including bank HCs) are particularly desired by the agencies. ● ●

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Last year we participated in nearly half of the municipal general obligation bonds offered at public sale in Missouri and Kansas. We have to know what we're doing.

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Maintain Profitable Loan Portfolio With Property-Improvement Loans

By R. D. BEATTY SR.
Vice President
Universal Assurors, Inc.
Omaha

(EDITOR'S NOTE: Universal Assurors, Inc., a credit life agency, has diversified into vendors' single-interest coverages, in addition to becoming the national underwriting manager for Central National Insurance Co. of Omaha for its property-improvement-loan-guaranty program.)

INSTALLMENT-loan bankers currently are reviewing loan-department performance of the past 12 months, with an eye toward maintaining profitability into the 1980s. Many factors have combined to erode department profitability, among them abnormally high money debts, increasing expensive energy and hard-to-pin-down — but rising — miscellaneous costs.

Decreased automobile sales have added to the problems of installment loan department managers in their efforts to maintain a profitable installment portfolio and retain their outstandings.

To retaliate against these factors, many midwestern banks have begun to diversify their installment loan departments, and this includes expanding their property-improvement loans. By advertising for this type of loan, these banks have attracted many new customers.

The home owner is the type of customer all banks want to attract because the opportunity for cross selling is unlimited. Not only can normal services be solicited, such as checking and savings accounts and safe deposit boxes, but, as we enter the on-line-computer era, many of these related services, such as "pay by phone" and "automatic funds transfer," can be made available.

The average property owner has a good income. If the spouse also is employed, the dual-income family can improve their homes more easily. One out of every five homes now needs some type of improvement. Frequently, these dual-income families are interested in room additions, swimming pools, tennis courts, saunas and other improvements that can add to "livability" now that the energy crunch has made the cost of gasoline prohibitive to take an annual vacation by automobile.

The uncertain availability of gasoline, coupled with the increased price of automobiles and decreased sales, make the property-improvement loan much more attractive to installment loan department managers. Stability of the home owner, actuality of a higher-yielding loan and increased sale of credit life products (joint life is an increasingly popular item for the dual-income buyers) all point to the fact that a property-improvement-loan program can offset some of today's lending problems and help an installment loan department maintain outstandings in a more profitable manner. • •

CRA Statement Issued by Fed

THE FED last month issued an information statement to guide those affected by the Community Reinvestment Act (CRA). In October, 1978, the Fed — together with other federal supervisors of financial institutions — issued regulations to implement the CRA.

In issuing its statement in January, the Fed said it is working to simplify its procedures for handling applications protested by community groups or others on CRA grounds. The Fed said it expects to develop a procedural guide for members of the public participating in CRA matters. Of necessity, procedures are subject to change as more experience is acquired, and all procedures will be coordinated as far as possible with those adopted by other federal agencies charged with supervision of financial institutions.

Meanwhile, according to the Fed, it has adopted a policy of encouraging meetings between applicants and protesting parties to help solve problems by facilitating communication, in connection with the Fed's view that communication with community members is an important part of a bank's efforts to ascertain the community's credit needs.

The Fed noted it has received protests suggesting that a lending institution has a poor lending record because it is not returning as much in the form of loans to community members as it receives in deposits from that community. In this connection, the Fed said:

"Although the CRA is directed at the problem of meeting sound community-credit needs, it was not intended to establish a regulatory influence on allocation of credit. In implementing the act, the board has acted on the belief that banks are in the best position to assess credit needs of their own local communities, and the board believes that meetings with community groups can be an integral part of the process. . . .

"The board believes that there are many reasons why a particular neighborhood may generate more deposits than loan requests, or more requests than deposits, and that disparity in a particular local area between credit granted and deposit totals is not *prima facie* evidence of discrimination. . . .

"However, the board views as a serious matter disparities in lending to different areas that do not appear to be fully attributable to safety and soundness considerations or to factors beyond a bank's control."

The Fed's statement included these other principal points:

- When faced with evidence of such disparities, the Fed will inquire closely into the bank's efforts to ascertain credit needs and to make the community aware of its credit services and into any policies or practices that may discourage credit applications from, or discriminate against, parts of the bank's community.
- The Fed expects banks to offer throughout their communities types of loans they say they offer in their CRA statements.
- The Fed will give weight to concerted efforts by lenders to improve low- and moderate-income areas of communities.
- In some cases, the Fed may give weight to commitments for future action, as it long has done in considering what effect approval or disapproval of an application would have on the banking convenience and needs of a community.
- Where this is done, the Fed — in considering future applications — will review a bank's record closely to determine whether the bank is meeting its commitments.
- Just as the Fed expects a bank to communicate responsibly with all segments of its community, it also expects community organizations filing protests to investigate complaints and document them.
- With respect to the Fed's policy of trying to improve communi-

(Continued on page 78)

Cash-Management Program Offered by Chicago Bank

CHICAGO — First National has developed a cash-management methodology, which, according to the bank, greatly increases corporate profits. It's called Program for Improved Cash Management (PICAM).

The program balances the experience and knowledge of corporate management with the objective overview and expertise of First National consultants. Developed as a unique consultive approach, PICAM required the design of special manuals and data-collection forms to identify and analyze float.

The first PICAM project was designed for ITT and is expected to save that corporation several million dollars. The project was conducted in six phases over an 18-month period. ITT currently is implementing an operating cash-management and control system based on data and ideas generated by the joint task force from First of Chicago and ITT. The first follow-up phase was concluded at year-end 1979. The net effect, says the bank, will be to improve cash-management techniques on a scale never before tried in private industry.

PICAM was designed for a large multi-product/multi-division organization, but is not limited to corporations of that scope. The bank currently is implementing many PICAM features for a variety of corporate customers.

Fed Wants TIL Simplified

THE FED has recommended to Congress that Truth-in-Lending (TIL) be simplified and that differences of EFT, Fair Credit Billing and TIL laws be reconciled. These were among the chief legislative recommendations the Fed made to Congress in its annual Truth-in-Lending Report.

The Fed — on behalf of the Comptroller's Office, FDIC, National Credit Union Association and Federal Trade Commission — and the Attorney General submitted separate summaries detailing 1979 consumer-credit-compliance efforts, regulatory enforcement and educational activities.

The Fed says it favors TIL reform through legislation, but if a bill is not enacted, it is prepared to attempt to simplify TIL through revision of Regulation Z.

The Fed also made these suggestions for legislative changes:

Limiting to $50, as under TIL, consumer liability for a lost or stolen EFT card, which now carries varied limits of liability depending on the circumstances.

Amending the Fair Credit Billing Act to allow oral notice, as permitted under the EFT law.

Eliminating the annual notice of rights under the EFT law and semiannual notice under the Fair Credit Billing Act. Instead, says the Fed, periodic statements should contain summary notices about consumer rights and how a more detailed explanation can be obtained.

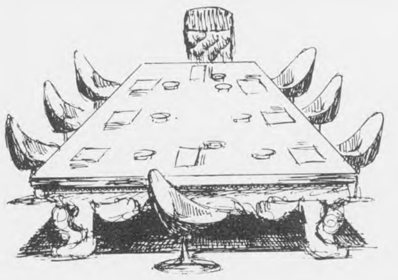
Providing parallel time requirements for resolving errors for both EFT and Fair Credit Billing laws.

Prohibiting charges for investigating alleged errors under both of the above laws.

The Comptroller's Office recommends limiting required closed-end-credit disclosures to certain basic terms and restricting rescission rights to indirect paper and home-solicitation sales. The FTC suggests legislation to require open-end-credit disclosures for what traditionally have been other than open-end-credit transactions.

According to Fed estimates, federal enforcement agencies spent $9.8 million in the TIL-compliance effort, and it issued cease-and-desist orders against two state-member banks. The FDIC says it initiated six cease-and-desist orders, completed five others and terminated five.

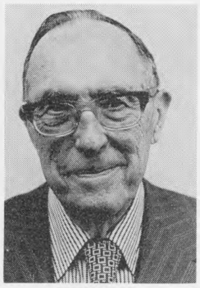
The Attorney General's review cites a June 21, 1979, appeals court decision upholding the constitutionality of TIL and Reg Z.



From the Boardroom

Jay Breidenthal Elected Security Nat'l President; Webber Gets New Post

KANSAS CITY, KAN. — R. J. (Jay) Breidenthal Jr. has been elected president/CEO, Security National, and Gray Breidenthal has moved from president to chairman. W. L. Webber, former chairman, became chairman emeritus.



WEBBER

R. BREIDENTHAL

G. BREIDENTHAL

Jay Breidenthal is the fourth generation of the Breidenthal family to head the bank. He is the son of R. J. Breidenthal, grandson of the late Maurice L. Breidenthal Sr. and great-grandson of John W. Breidenthal, founder of Security National. The new president joined the bank in 1969 following graduation from the University of Kansas. Most recently, he was executive vice president and chief operating officer.

Gray Breidenthal entered banking as a part-time employee in 1929 at the old Victory State in Kansas City. He worked at Riverview State, also in KCK, then returned to Victory State in 1953 and became its president in 1967. That bank was merged with Security National in 1974. Riverview State was merged with Security National in 1962.

Mr. Webber, called the "dean of Kansas bankers," joined Security National in 1943, when he established its correspondent department. He has worked in that department since then. He became chairman in 1971 and entered a self-described "semiretirement" in January, 1979. As chairman emeritus, he continues to be active at the bank. Mr. Webber is a former Kansas bank commissioner.

In other action, Security National made the following appointments in the trust department: to vice president/senior trust officer, Fred N. Bosilevac Jr.; to vice president/trust investment officer, Jim Slocomb; to assistant vice president/trust officer, Ray Hintz; and to trust officer, Kent Sundgren. Mr. Slocomb formerly was with First National, Kansas City, Mo., and Mr. Sundgren was with Merchants National, Topeka.

Butcher Named Chase CEO; To Succeed Rockefeller As Chairman in 1981

NEW YORK CITY — Willard C. Butcher succeeded David Rockefeller January 1 as CEO, Chase Manhattan Corp. and Chase Manhattan Bank. He is president of the HC and bank, and Mr. Rockefeller is chairman.

Mr. Rockefeller, whose normal retirement date is June 30, 1980, has agreed to extend his term as chairman until Chase's annual meeting in April, 1981, when Mr. Butcher will succeed him in that post.

Also January 1, four Chase executive vice presidents who represent the bank's major business elements started assisting Mr. Butcher directly in overall management of Chase. These officers are: John A. Hooper, chairman, credit policy committee, and generally responsible for real estate activities; Thomas G. Labrecque, generally responsible for retail banking, institutional banking, operations, trust and fiduciary services and systems; William S. Ogden, chief financial officer and chairman, asset/liability management committee; and Barry F. Sullivan, who has general responsibility for global wholesale banking and information services.

David Rockefeller (seated), ch., Chase Manhattan, New York City, is shown with Willard C. Butcher, pres. Mr. Butcher has succeeded Mr. Rockefeller as CEO of bank and its HC, Chase Manhattan Corp.

Mr. Rockefeller joined Chase in 1946, became chairman/CEO of the bank in 1969 and of the HC when it was formed later that year. Mr. Butcher, with Chase since 1947, became president/chief operating officer in 1972.

New First Ala. Trust Head

BIRMINGHAM — B. L. Brown has been elected senior vice president/trust of First Alabama. He joined the bank 18 years ago following banking experience in Mississippi and four years with the U. S. Treasury department in Atlanta.

Mr. Brown assumed leadership of the bank's trust department following the departure of Charles S. Northen III, who left the bank in December.

National American Bank of New Orleans

Statement of Condition as of December 31, 1979

RESOURCES

Cash and Due from Banks		$ 51,028,885.84
United States Government Securities		132,929,723.80
State and Municipal Obligations		10,985,296.81
Other Securities		3,351,966.40
Bank Buildings and Equipment		9,179,481.41
Loans and Discounts	100,113,834.02	
Less Unearned Income	911,191.13	
Less Reserve for Possible Loan Losses	1,112,542.69	
Loans, Net		98,090,100.20
Federal Funds Sold		40,000,000.00
Customers' Liability Account Acceptances		70,122.13
Other Assets		5,327,035.15
Total		$350,962,611.74

LIABILITIES

Common Capital Stock	$ 4,000,000.00	
Preferred Capital Stock	1,350,000.00	
Surplus	14,150,000.00	
Undivided Profits	9,990,923.01	29,490,923.01
Reserve for Taxes, Interest, etc.		3,726,587.02
Federal Funds Purchased		14,175,000.00
Liability for Capitalized Leases		1,171,276.92
Dividends Payable		16,368.75
Liabilities Account Acceptances		70,122.13
Demand Deposits	135,634,897.52	
Time Deposits	166,677,436.39	
Total Deposits		302,312,333.91
Total		$350,962,611.74

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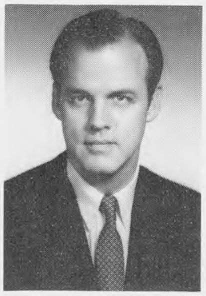
MEMBER: FEDERAL DEPOSIT INSURANCE CORPORATION

NATIONAL AMERICAN BANK OF NEW ORLEANS

Robert I. Lipp and *Walter V. Shipley* have been promoted from executive vice presidents to the newly created posts of senior executive vice presidents at Chemical Bank, New York City. This new team of senior executives will manage major aspects of the bank's global business, along with other key members of the policy committee and under the overall guidance of officers/directors. *W. Michael Blumenthal*, former Secretary of the Treasury, has been elected to the boards of Chemical Bank and its parent HC, Chemical New York Corp. He is chairman/CEO designate, Burroughs Corp.

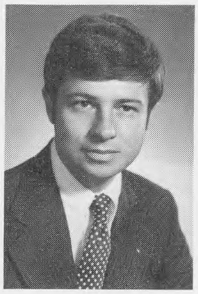
BLUMENTHAL



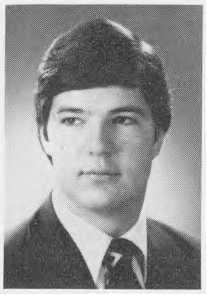
SHIPLEY

LIPP

Margaret Spain has been named a vice president, correspondent bank division, First Tennessee Bank, Memphis, which she joined in 1971 as a management candidate. She joins Frank Schriner, vice president, in the management and service of the bank's correspondent relationships in Arkansas and Missouri.



REBER



FORD

SPAIN

Stanley R. Reber has been elected a senior vice president, Fort Worth National. Mr. Reber, manager/funds management for the bank and vice president/economist for Texas American Bancshares, Inc., joined the Fort Worth-based bank HC in 1975. He assumed additional responsibilities at the bank in 1977 as vice president/manager of funds management. *Edwin S. Harris* has joined Fort Worth National as a vice president and manager/mortgage loan department. He was with Grinnan Mortgage Co., Dallas, as president/chief operating officer. *Tony C. Ford,* who is in the bank's correspondent bank department, has been elected an assistant vice president.

Jerry T. Griffin and *Ronald E. Hatcher* have been promoted to assistant vice presidents, Commercial National, Little Rock. Mr. Griffin went there about seven years ago and is a member of the metropolitan sales team. Mr. Hatcher, who is in branch operations, went to the bank with seven years' banking experience.

Thirty-Seven Employees Receive Promotions At Continental Bank

CHICAGO — Continental Illinois National has announced the following new vice presidents: David F. Benko, Richard E. Bratton, Norman R. Duplissie, William R. Church, Anthony J. Morrone, Edward M. Murray Jr., Thomas H. Ransom, Dennis M. Toolan, Ronald C. Baldwin, Douglas S. Bott, Craig F. Rabiega and Timothy E. Turnpaugh.

Also, Evelyn M. Ebbert, John R. Grandstaff, Ronald L. Kominski, Frank R. Lowe, Robert A. Middleton, Stephen L. Quick, Wilma J. Smelcer, C. Richard Tinsley, Michael T. Tokarz and Martin R. Hartmann.

Also, Eric E. von Bauer, D. James Dalton, Teunis de Haan, Gail J. Loveman, Anthony C. Barber, Stephen D. Balsamo, Barton A. Francour and Paul M. Jacques.

New second vice presidents are Lawrence A. Colby, Ross A. Fasano Jr., John H. Hileman, Nancee J. Zipper, J. Andrew Spindler and Gary H. Hickok.

George N. Reaves was promoted to trust officer.

Lentschke Promoted to SVP At Texas Bank, Austin

AUSTIN — Ernest W. Lentschke Jr. has been promoted to senior vice president/retail division and D. Kelly Irvin to cashier at Texas Bank. Mr. Lentschke had been vice president/retail division. Before joining Texas Bank in 1979, he was senior vice president/retail division, Corpus Christi Bank.

Also, Greg Kozmetsky has been elected a director. Mr. Kozmetsky is chairman/CEO, KozDe Enterprises, Inc., and Arrowsmith Tool & Manufacturing Corp., both in California and KMS Ventures, Inc., of Delaware.

Seven Receive Promotions At Bank of Oklahoma

TULSA — Three new department managers have been named at Bank of Oklahoma: William Benecick, personal banking; Wesley Brookover, dealer lending and Stanley A. Lybarger, financial institutions. All are vice presidents.

New assistant vice presidents are Sara Heon, Tom Toburen, Mildred Nelson and Richard Halliburton. Ned W. Schmidt has joined the bank as vice president/trust investment officer. He goes to the bank from Third National, Nashville.

ST. LOUIS COUNTY BANK

CLAYTON, MISSOURI

Statement of Condition

DECEMBER 31, 1979

ASSETS

Cash and due from banks	$ 47,969,853
Investment securities:	
United States Government	34,662,013
States and political subdivisions	51,824,991
Other securities	1,868,378
Total investment securities	88,355,382
Federal funds sold and securities purchased under agreements to resell	34,000,000
Loans (net of unearned discount of $2,232,747 and reserve for possible loan losses of $2,836,918)	242,073,939
Bank premises and equipment	2,184,079
Other assets	8,713,788
	$423,297,041

LIABILITIES AND STOCKHOLDERS' EQUITY

Demand deposits	$142,361,412
Savings deposits	74,197,851
Other time deposits	154,953,217
Total deposits	$371,512,480
Federal funds purchased and securities sold under agreements to repurchase	15,535,993
Other liabilities for borrowed money	4,153,486
Other liabilities	5,058,228
Total liabilities	396,260,187
Stockholder's equity:	
Common stock	5,000,000
Capital surplus	10,000,000
Retained earnings	12,036,854
Total stockholder's equity	27,036,854
	$423,297,041

OFFICERS

MERLE M. SANGUINET
Chairman of the Board and Chief Executive Officer
ANDREW N. BAUR
President and Chief Operating Officer
ROBERT C. WOLFORD
Executive Vice President

COMMERCIAL BANKING
THOMAS M. NOONAN
Senior Vice President
H. ELY BRITTON, JR.
Vice President
RICHARD J. KEMPLAND
Vice President
MARTHA R. SHEERIN
Vice President and Secretary
STUART M. LADD
Assistant Vice President
GREGOR A. SCHMUCKER
Assistant Vice President
JEAN SRENCO
Assistant Vice President
JOSEPH M. WILSON
Assistant Vice President
TIMOTHY J. BUTLER
Commercial Banking Officer
THOMAS S. DUNCAN III
Commercial Banking Officer
DEBORAH B. CHEN
Credit Officer

COMMERCIAL/INDUSTRIAL REAL ESTATE
BERNARD J. McSORLEY
Vice President
ANNE L. GAGEN
Assistant Vice President
R. STEPHEN WINTERMANN
Commercial Banking Officer

CONSUMER/MORTGAGE LOANS
KENNETH W. BEAN
Vice President
THERESA S. KRONER
Assistant Vice President
RICHARD H. THOMAS
Assistant Vice President
TERESA S. CASON
Consumer Banking Officer
GREGORY F. KELLEHER, JR.
Consumer Banking Officer
MARY B. WHITE
Consumer Banking Officer

CUSTOMER SERVICES
JERRY E. STAMM
Vice President
THELMA G. SCHLOBOHM
Assistant Vice President
JULIE L. BAYER
Consumer Banking Officer
M. CHRISTINE COLLINS
Consumer Banking Officer
CECILIA A. HANDLEY
Consumer Banking Officer
GENEVA A. HELTON
Consumer Banking Officer
NORINNE HOBBS
Consumer Banking Officer

JEAN GASKO
Safe Deposit Officer
PAULINE MITSCHELE
Teller Operations Officer

OPERATIONS
LAWRENCE D. ABELN
Senior Vice President and Comptroller
SYDNEY Y. PENDLETON
Vice President
WALTER E. BECKER
Assistant Vice President
WILLIAM E. CARROLL
Assistant Vice President
GERALD P. FAGIN
Assistant Vice President
JAMES M. MARLER
Assistant Vice President
GERARD J. HOEING
Assistant Vice President and Assistant Comptroller
NANCY M. BERRY
Operations Officer

INTERNATIONAL BANKING
JAMES YANG
Vice President

INVESTMENTS
PAUL L. GIBBONS
Cashier

MARKETING
JAMES S. WOLF
Vice President

AUDITING
DANIEL F. DAHLKE
Auditor

PERSONNEL
E. J. FOGARTY, JR.
Vice President and Personnel Director

TRUST
GEORGE REICHMAN
Vice President and Trust Officer
RICHARD E. DRUMMOND
Vice President and Trust Officer
CARL ENLOE
Vice President and Trust Officer
WILLIAM L. HOEMAN
Vice President and Trust Officer
JAMES R. ALBACH
Assistant Vice President and Trust Officer
STEVEN M. BROWN
Assistant Vice President and Trust Officer
ROBERT E. FOPPE
Assistant Vice President and Trust Officer
JAC E. GRISWOLD
Assistant Vice President and Trust Officer
WILSON F. HUNT
Assistant Vice President and Trust Officer
RONALD H. SPICER
Assistant Vice President and Trust Officer

BOARD OF DIRECTORS

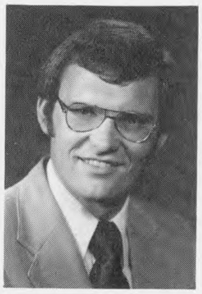
ANDREW N. BAUR
President and Chief Operating Officer
St. Louis County Bank
Vice President
County National Bancorporation
J. GORDON FORSYTH
President
Forsyth Carterville Coal Co.
(Mining Operations)
JACK R. HENNESSEY
Chairman of the Board and Chief Executive Officer
Hennessey-Forrestal Machinery Company
(Sales and Leasing of Construction Equipment)
***LEE HUNTER**
Chairman of the Board
Hunter Engineering Company
(Manufacturer of Automotive Equipment)
JAMES C. LAFLIN
Consultant and Director
Southern Comfort Corporation
(Manufacturer of Liquor)
JOHN K. LILLY
President
John K. Lilly and Associates
(Manufacturers Agency, Management Consultants)
* Advisory Director

BEN PECK
President
Wohl Shoe Company
(Retailer)
MERLE M. SANGUINET
Chairman of the Board, President and Chief Executive Officer
County National Bancorporation
Chairman of the Board and Chief Executive Officer
St. Louis County Bank
HENRY D. SCHODDE
Vice President
Southwestern Bell Telephone Company
L. EDWARD SMART
President
Imperial Refineries Corporation
(Retail Distributor of Petroleum Products)
JULES Q. STRONG
Attorney
MAHLON B. WALLACE, III
President
Wallace Pencil Company
(Manufacturer of Writing Instruments)
ROBERT C. WOLFORD
Executive Vice President
St. Louis County Bank
Vice President
County National Bancorporation

The County Bank

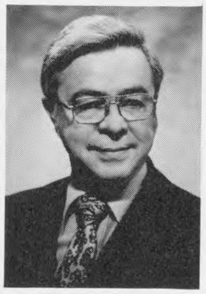
ST. LOUIS COUNTY BANK • 8000 FORSYTH • CLAYTON, MISSOURI 63105

Donald J. Baldwin, correspondent division, Boatmen's National, St. Louis, has been promoted from assistant vice president to vice president, as has *Melvin L. Johnson* of the auto leasing department. New assistant vice presidents are *Maurice J. Hine*, bond department, and *Charles D. Zimmer*, operations division.



STOUT

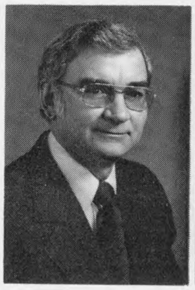
BALDWIN



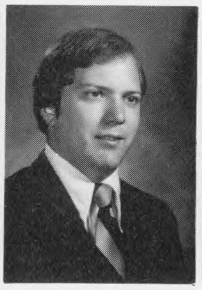
JOHNSON

Joseph H. Stout has been named senior vice president, Fourth National, Wichita, and has been given management responsibilities for the correspondent bank division. Fourth National elected *Lloyd A. Jones* and *Mark Bruce Robison* assistant vice presidents. Mr. Robison also is a trust officer.

Tom G. Hilborne has retired from Oklahoma City's Liberty National, where he was vice president/investment services/municipal finance department. He had been a banker 45 years and joined Liberty National in 1956.

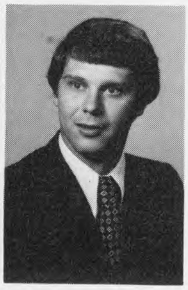


BURTON



O'LEARY

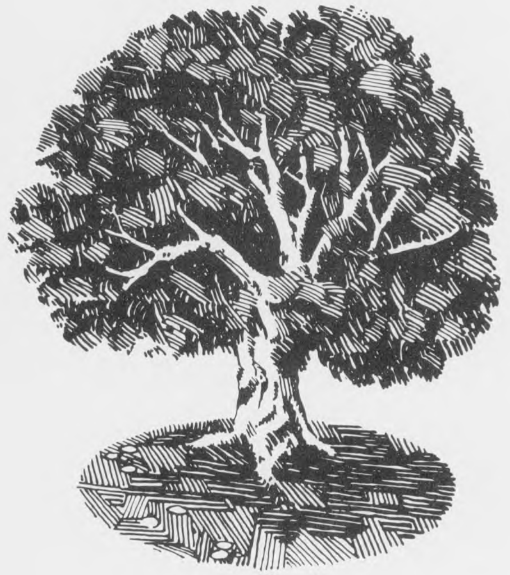
HUEBEN



HEFLEY

James R. Hefley has moved up from second vice president to vice president, correspondent banking division, Commercial National, Kansas City, Kan. *Michael J. O'Leary* was promoted from correspondent bank officer to second vice president. *Lloyd O. Burton*, vice president, has moved from the personnel division to the correspondent division. The bank also promoted *Alfred J. Hueben* from second vice president to vice president, commercial banking.

Wendyl A. Reis has been named vice president, First City National, Houston, which he joined recently as manager/merger and acquisition group, corporate finance department. He was assistant general manager, WKM Division, ACF Industries. *Travis E. Kendall* was made vice president/director of audit and loan review, First City Bancorp., parent HC of First City National. He previously was vice president/auditor for both the HC and bank. Succeeding him in those posts is *Robert W. Brown*, who, like Mr. Kendall, is a CPA.



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

- Our lead bank, National Bank of Detroit, is the largest in Michigan and eighteenth in the U.S. with deposits of $6.6 billion.
- Nine other subsidiary banks strategically located throughout the state of Michigan bring the total number of retail banking offices to 158.
- International offices in London, Frankfurt, Tokyo, and Nassau plus financial affiliates in Europe, Asia, South America and Australia.
- Additional domestic subsidiaries engaged in mortgage banking, consumer finance and insurance.

Our growth is made all the more significant to investors because of consistent profitability. In the last ten years, for example, both our earnings and dividend growth have been in excess of 8%. In addition, actual dividends paid to our shareholders have increased each year over the past decade.

National Detroit Corporation is listed on the New York Stock Exchange (Ticker Symbol NBD). Our latest financial reports are available by writing to the Financial Communications Department.

CONSOLIDATED BALANCE SHEET—December 31, 1979

(dollars in thousands)

ASSETS

Cash and Due From Banks (including Foreign Time Deposits of $937,360)	$1,975,051
Investment Securities—At Amortized Cost (Market value $1,567,625)	1,619,020
Trading Account Securities—At Lower of Cost or Market (Market value $6,794)	6,794
Money Market Investments	795,465
Loans:	
Commercial	2,359,934
Real Estate—Construction	53,058
Real Estate—Mortgage	1,049,847
Consumer	685,339
Foreign	546,020
	4,694,198
Allowance For Loan Losses	(58,952)
Unearned Income	(92,000)
	4,543,246
Lease Financing	25,874
Bank Premises and Equipment (at cost less accumulated depreciation of $67,510)	94,069
Customers' Liability on Acceptances	292,620
Other Assets	154,261
Total Assets	$9,506,400

LIABILITIES AND SHAREHOLDERS' EQUITY

Deposits:		
Demand		$2,080,362
Certified and Other Official Checks		238,571
Savings		1,303,864
Time		670,284
Certificates of Deposit		835,743
Money Market Certificates		647,998
Foreign Office		1,123,842
Total Deposits		6,900,664
Short-Term Borrowings		1,375,190
Liability on Acceptances		292,620
Accrued Expenses and Sundry Liabilities		229,846
Long-Term Debt		100,089
Total Liabilities		8,898,409
Other Commitments and Contingent Liabilities		—
Shareholders' Equity:		
Preferred Stock—No Par Value		—
No. of Shares		
Authorized	1,000,000	
Issued	—	
Common Stock—Par Value $6.25		76,187
No. of Shares		
Authorized	20,000,000	
Issued	12,189,966	
Capital Surplus		181,376
Retained Earnings		350,428
Total Shareholders' Equity		607,991
Total Liabilities and Shareholders' Equity		$9,506,400

Assets carried at approximately $772,000,000 (including U.S. Treasury Securities carried at $20,000,000) were pledged at December 31, 1979, to secure public deposits (including deposits of $70,160,000 of the Treasurer, State of Michigan) and for other purposes required by law.

Outstanding standby letters of credit at December 31, 1979, approximated $44,000,000.

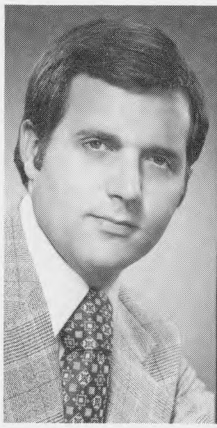
NBD

Member FDIC

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

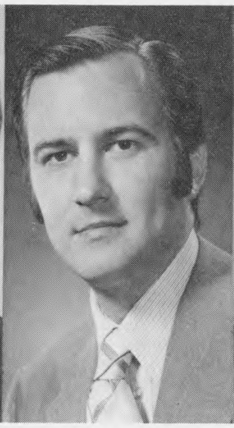
National Bank of Detroit and its international banking and financing subsidiary, International Bank of Detroit; NBD Commerce Bank, Lansing; NBD Port Huron Bank, N.A.; NBD Troy Bank, N.A.; NBD Dearborn Bank, N.A.; Grand Valley National Bank, Grandville; First State Bank of Saginaw; NBD Portage Bank; Peoples Bank & Trust of Alpena; Farmers & Merchants National Bank in Benton Harbor; Instaloan Financial Services, Inc.; NBD Mortgage Company; NBD Insurance Company; NBD Financial Services of Florida, Inc.

LacKamp Succeeds Dudley In Top Correspondent Post At First National of KC

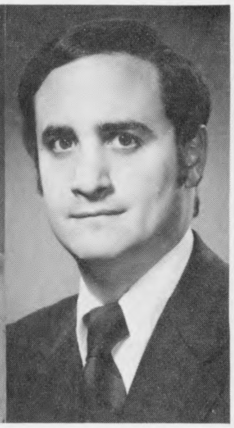


STEWART

ROSSAN



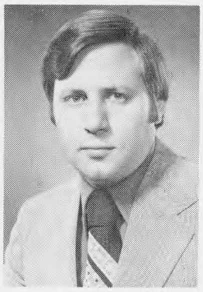
MELCHER



KASLE

KANSAS CITY — George C. Dudley, senior vice president and head of First National's correspondent division, became a senior consultant at the bank January 2. Donald LacKamp, who was vice president, has advanced to senior vice president and succeeded Mr. Dudley as correspondent division head, with full administrative responsibilities.

DUDLEY



LACKAMP

In his new post, Mr. Dudley, who has had more than 30 years in correspondent-bank work, will place emphasis on research, credit and training. He also will devote more time to travel and representing First National at conferences.

Mr. LacKamp joined the bank in 1974 and called on Kansas banks and worked with the bank's agricultural-loan portfolio. His background includes being an agricultural extension agent and a country banker.

In other action, First National promoted these senior vice presidents to executive vice presidents: Donald H. Kasle, Stephen A. Melcher, Paul B. Rossan and James C. Stewart. Advanced from vice presidents to senior vice presidents were William Antoniello and Thomas H. Holcom Jr.

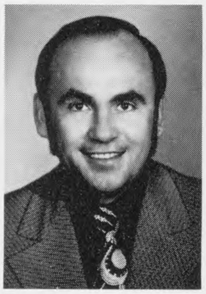
Hatfield, Lynch and Dupas Promoted at Mercantile Nat'l

DALLAS — Max D. Hatfield has been named executive vice president; Thomas G. Lynch was elected senior vice president/operations, and Gerald C. Dupas was elected vice president/check processing department head at Mercantile National.

Mr. Hatfield joined the bank in 1976. Mr. Lynch goes to the bank from a major Chicago bank, where he was a senior vice president. Mr. Dupas goes to the bank from the New Orleans Branch of the Atlanta Fed, where he served for 10 years.

Schnoor Named Senior VP At Farm Credit Bank

SCHNOOR



WICHITA — LeRoy H. Schnoor has been appointed senior vice president, Federal Intermediate Credit Bank. Mr. Schnoor joined the bank in January. In this new position, he will be responsible for supervision of the association supervision and review departments.

He goes to the bank from the Federal Intermediate Credit Bank, Omaha, where he was field officer. He has been president of the Waterloo, Ia., Production Credit Association (PCA) and had been employed with the South Omaha PCA. Before then, he was a partner in the management of his family's crop and livestock farm in Nebraska.

Martin Promoted at Bank

MOBILE — Bates R. "Buddy" Martin Jr. has been elected assistant vice president at Merchants National. Mr. Martin is a petroleum engineer and will serve in the bank's petroleum department.

Promotions Announced At Liberty Nat'l

LOUISVILLE — Liberty National has named Ted R. Frith executive vice president/marketing. New senior vice presidents are George A. Collin, John J. Borho, Carl R. Page, John A. Brennan, Milton L. Norman, C. Barret Birnsteel and Sam H. Monarch, Maria I. Gerwing, R. L. Pohl and Carolyn Swan.

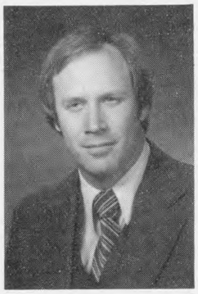
New vice presidents are R. Helm Dobbins, J. E. Vittitow, Carrington W. Fox, Frank J. Gitschier, Mazelle Allen, Jack Holt and Richard Watts.

New assistant vice presidents are Nathan B. Evans, Charles P. Denny, John Wolff, David Barnes, Roderic Brown, Douglas Howard and Vincent Hyman.

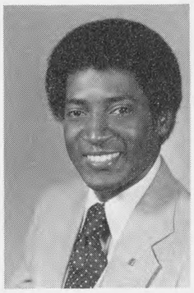
New assistant cashiers are William J. Hornell, Ellen W. Schwartzel and Susan A. Smith.

Worthen Bank Promotes Four

LITTLE ROCK — Worthen Bank has promoted Charles Daniel to vice president, Dell Edwards to assistant vice president and Joyce Miller and Daniel Huckabay to assistant cashiers.

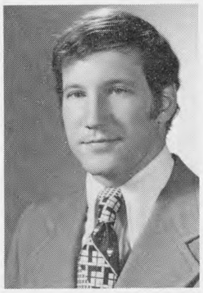


WEBER



STEWART

GREER



THALHEIMER

Four Promotions Announced At First Nat'l, Little Rock

LITTLE ROCK — First National has named four new senior vice presidents. They are Joy Greer, Charles A. Stewart, Bruce A. Thalheimer Jr. and Thorpe D. Weber.

Mrs. Greer is manager, corporate communications, including advertising, public relations and communications. Mr. Stewart is manager, public affairs division, which coordinates government relationships and community services. Mr. Thalheimer manages the bank's internal audit division. He is a certified public accountant. Mr. Weber supervises the central services division.

Eight Promoted at Boatmen's, KC

KANSAS CITY — David G. Barker has been named first vice president of Boatmen's Bank. New vice presidents are Brian E. Cuddy, Susan P. Corson, Anna Dugger and Maxine Prewitt.

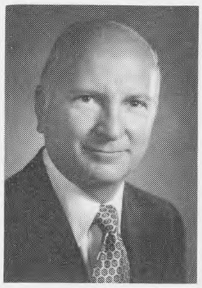
New assistant cashiers are Patty Armstrong, Jennie Gregg and Larry Harmon.

Cox, Suttle Named EVPs At Alabama Bancorp.

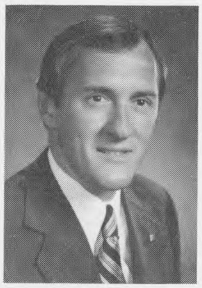
BIRMINGHAM — Maurice R. Cox and W. Gary Suttle have been promoted to executive vice presidents at Alabama Bancorp.

Mr. Cox joined the HC in 1977 as vice president/manager, national division, and was promoted to senior vice president later that year. Mr. Suttle joined the HC in 1976 as senior vice president.

Also, Michael Groves and Mack McCollum were elected senior vice presidents and Gail Williamson was promoted to vice president.



PISTOR



MUSOLINO

Top-Management Changes Slated for 1980 At Republic of Dallas

DALLAS — Charles H. Pistor Jr. will be elected chairman/CEO to succeed James W. Keay at Republic National on April 15. At that time, Mr. Keay will devote his full-time attention to his responsibilities as vice chairman of Republic of Texas Corp., the bank's HC.

Succeeding Mr. Pistor as the bank's president will be Joseph R. Musolino, vice chairman.

Also, the bank has promoted Kay Bailey Hutchinson and Edward R. "Ted" McPherson to senior vice presidents.

VPs Elected at First Nat'l; Wilkerson Named Director

OKLAHOMA CITY — New vice presidents at First National are Tom Sherman, correspondent bank division, Ed Wells, savings, and Harry Adams, trust officer.

Also, Gary Embry has been elected banking officer, correspondent division.

Mr. Sherman joined the bank in 1978 as assistant vice president, correspondent division. Messrs. Wells and Adams joined the bank in 1977 and 1968, respectively. Mr. Embry joined the bank in 1979 and transferred to the correspondent division in November.

D. B. Wilkerson Jr., president, Wilkerson Motor Co., Inc., Tulsa, has been elected a director.

Two Promoted at Mercantile

ST. LOUIS — James P. Foley has been elected a vice president and Wallace A. Kennedy has been named assistant vice president at Mercantile Trust.

Mr. Foley joined the bank in 1951 and Mr. Kennedy, in 1966.

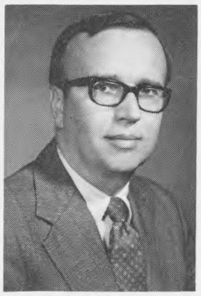
Rowe Named Senior V.P. At First Nat'l, St. Louis; Five Vice Presidents Elected

ROWE

ST. LOUIS — John W. Rowe has been promoted to senior vice president at First National and First Union Bancorp. He will continue his present responsibilities as manager of the bank's bond department.

Also, John C. Solomon, Michael F. Timmerman, Rachel Balbach, R. Greg Kintz and John Rothschild Jr., have been named vice presidents. New assistant vice presidents are Fred H. Entrikin III and R. Kenneth Bass Jr.

Powell Named President Of First of Birmingham; Hendley Is Chairman



POWELL

HENDLEY

BIRMINGHAM — William A. Powell Jr. has been elected president and Dan L. Hendley, CEO, has been elected chairman, of First National. M. Eugene Moor Jr. will continue as vice chairman.

Also, Mr. Hendley has been elected vice chairman and Mr. Powell, president/director of Alabama Bancorp.

Mr. Hendley joined the HC in 1973 as executive vice president/director. Mr. Powell joined the bank in 1953.

1979. A $21,000,000 Payday For Fourth Customers.

Last year The Fourth made interest payments to its depositors in excess of 21 million dollars. A substantial 50% increase over the 14 million dollars customers earned the year before.

The additional dollars The Fourth put back into the community reflect some other very important things:

Total deposits increase 22%
Time deposits increase 19%

Clearly, 1979 was a great year. And an important year for thousands of Fourth customers.

Because they have found that in today's economic environment they can look, with their confidence and their money, to The Fourth for financial stability and sound investment opportunities.

Statement of Condition...December 31, (Unaudited)

Assets	1979	1978
Cash and due from banks	$186,170,000	$144,390,000
Investment securities:		
U.S. Government obligations	18,469,000	23,744,000
Federal agency securities	5,997,000	6,997,000
Obligations of states and political subdivisions	55,399,000	58,655,000
Other	1,439,000	1,205,000
Total investment securities	81,304,000	90,601,000
Trading account securities	4,530,000	3,769,000
Federal funds sold	134,700,000	33,075,000
Securities purchased under agreements to resell	31,000,000	41,550,000
Loans	**354,307,000**	345,802,000
Bank premises and equipment	27,226,000	27,656,000
Income receivable and other assets	10,257,000	8,926,000
	$829,494,000	$695,769,000

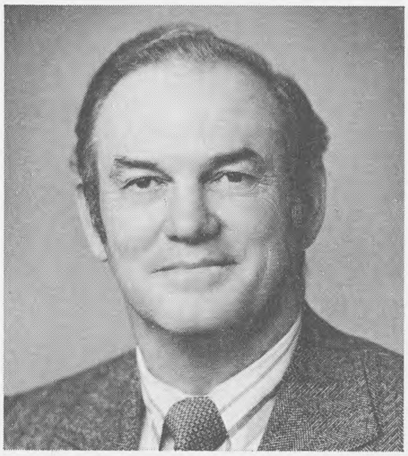
Liabilities and Stockholders' Equity	1979	1978
Deposits:		
Demand	$352,129,000	$282,702,000
Time	292,720,000	245,678,000
Total deposits	**644,849,000**	528,380,000
Federal funds purchased	55,215,000	31,495,000
Securities sold under agreements to repurchase	39,165,000	43,893,000
Other borrowings	18,162,000	27,204,000
Accrued interest, taxes and other liabilities	10,439,000	7,174,000
Capital note	10,000,000	10,000,000
Total liabilities	777,830,000	648,146,000
Stockholders' equity	51,664,000	47,623,000
	$829,494,000	$695,769,000

Use us. For all we're worth.

A neighborhood bank as big as Kansas itself.

TheFourth IV

The Fourth National Bank & Trust Company, Wichita, Kansas 67202
Member FDIC



Fifteen Promotions Announced At Northern Trust, Chicago

CHICAGO — Northern Trust Co. has promoted the following to vice presidents: Lisa M. Featherer, C. Mark Shumaker, James A. Harrington, Roger F. Siara, Diego G. Martinez, Pedro M. Toro and Francis R. Driscoll.

New second vice presidents are Val G. Wisniewski, Russell L. Jones, Robert A. Clark, Jack H. Washow and Gerald F. Keeney.

New trust officers are John Kokenis, Michael A. Perez Jr. and Gary A. Ragle.

Solso Named Vice Chairman

SOLSO

PORTLAND — Virgil E. Solso, ABA treasurer, has been named vice chairman of Oregon Bank. Mr. Solso had been president of the bank since 1969, when it and Citizens Bank of Lake Oswego were merged.

Five Vice Presidents Named

KANSAS CITY — Commerce Bank has named the following vice presidents: W. Kay Voorhees, Thomas E. Weiford, E. Wendell Williams, George H. Wood and Wayne J. Zuck.

Miss Voorhees, Mr. Weiford and Mr. Wood were senior trust officers. Mr. Williams is manager, 10th Street lobby retail department. Mr. Zuck goes to the bank's trust division after spending the last three years as assistant judicial administrator of the Kansas Supreme Court.

Five Promoted at Kansas State

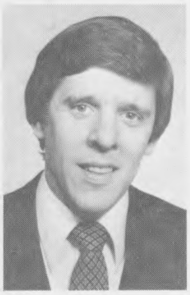
WICHITA — Michel A. Straub, assistant vice president, has been named cashier and Nancy K. Mackey, assistant cashier, has been named assistant vice president at Kansas State.

New assistant cashiers are Margaret Brownlie, Julio Villa and Mary Salazar.

Nine Promotions Announced At St. Louis County Bank

CLAYTON, MO. — James S. Wolf has been elected vice president and marketing director, St. Louis County Bank, which he joined in 1976 as a marketing officer.

In other action, the bank promoted Jean Srenco from commercial loan officer to assistant vice president. Elected assistant vice presidents/trust officers were James R. Albach and Steven M. Brown, both formerly assistant trust officers, and Ronald H. Spicer, formerly trust investment officer. Timothy J. Butler and Thomas S. Duncan III were advanced to commercial banking officers; Deborah B. Chen to credit officer and Nancy M. Berry to operations officer.



WOLF

ROSS

New Senior Vice President At First Nat'l Chicago

CHICAGO — Norman Ross, vice president/corporate affairs department head, has been elected a senior vice president of First National.

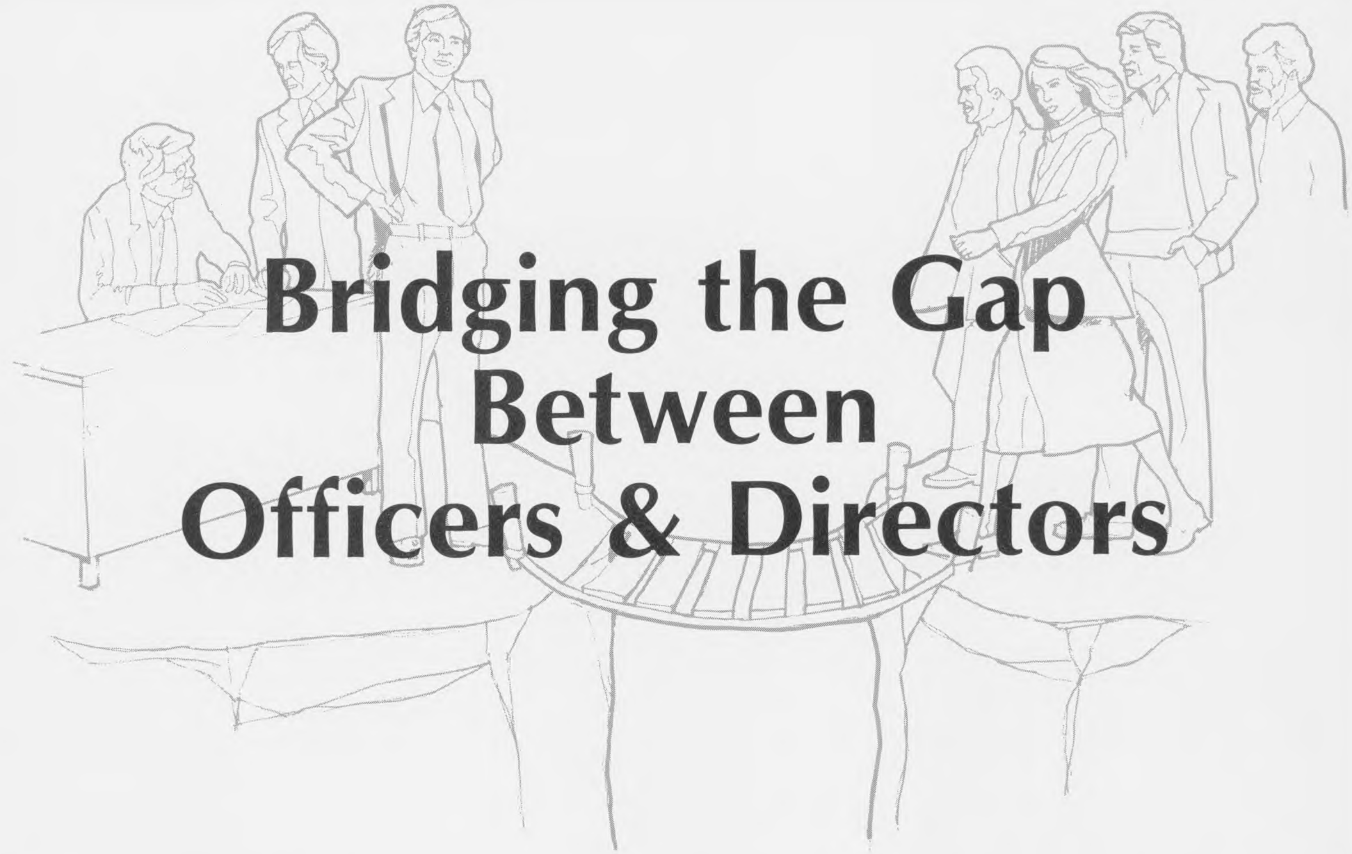
At the same time, the corporate affairs department was redesignated the communications department, which includes public affairs, public relations, creative services, advertising and the corporate contributions and shareholder relations activities.

Mr. Ross joined First Chicago in 1968 as vice president/public affairs. He had been instrumental in developing the bank's pioneering trade relationship with the Peoples Republic of China.

Three Promotions Announced At Third Nat'l, Nashville

NASHVILLE — New assistant vice presidents at Third National are Larry W. Robinson, Richard F. Stiegele and David R. Hinds.

Mr. Robinson joined the bank in 1968, Mr. Stiegele in 1978 and Mr. Hinds in 1979.



Bridging the Gap Between Officers & Directors

BY ORVILLE GOERGER
Contributing Editor

A NEW management tool is jolting many bank directors and CEOs' belief that they maintain close two-way communication and enjoy complete mutual confidence.

Three years of research conducted by Prestige Services, Inc., St. Louis, denies this assumption. Massive evidence contrary to bank leaders' feelings of security has emanated from their own boards.

In most cases, this communication breakdown between directors and CEOs was hurting the bank and hindering its growth. In all cases, when these communications gaps were bridged, there was noticeable improvement in bank business, customer relations and personnel efficiency.

The secret of this new approach is simple: Find answers to questions that are seldom asked or even discussed in board meetings. Following are a few examples:

What do directors think — confidentially — of CEO leadership?

How do directors regard the CEO's strengths — and weaknesses?

How do directors, off the record, think bank performance can be improved?

What are directors' feelings on delicate problem areas that are never discussed?

What is the secret that unlocks these frequently suppressed answers? Basically, it is a combination of common sense plus long experience in the banking fields at board and CEO level and a sophisticated interview style by a professional person who shares the confidence of directors and CEO.

The basic operation of this program is simple and direct. After announcement by the CEO, interviews are scheduled with each director. In-depth interviews run from one to three or more hours. The director is guaranteed complete confidentiality of his interview.

As a "warm-up," directors' views on meeting procedures are sought, plus suggestions for improvement. Discussion then broadens to other areas of the bank — customer relations, employee relations, problem situations, officer performance and any other topic that's a specific problem for a particular bank.

When interviews are completed, a comprehensive report is prepared for the CEO and directors. This report presents specific data on responses, pertinent questions uncovered in interviews, overall conclusions and, finally, suggestions based on these conclusions. No individual names are mentioned. Interview information always is 100% confidential.

Such information, gathered directly and collectively from the board, has proved valuable to CEOs. Most valuable is the emphasis given problem areas. In most of these, a director not only has definite views on what is wrong, but also suggestions for correcting the condition. Based on interview findings, the CEO then is free to initiate his personal corrective measures, assured in advance of the board's support.

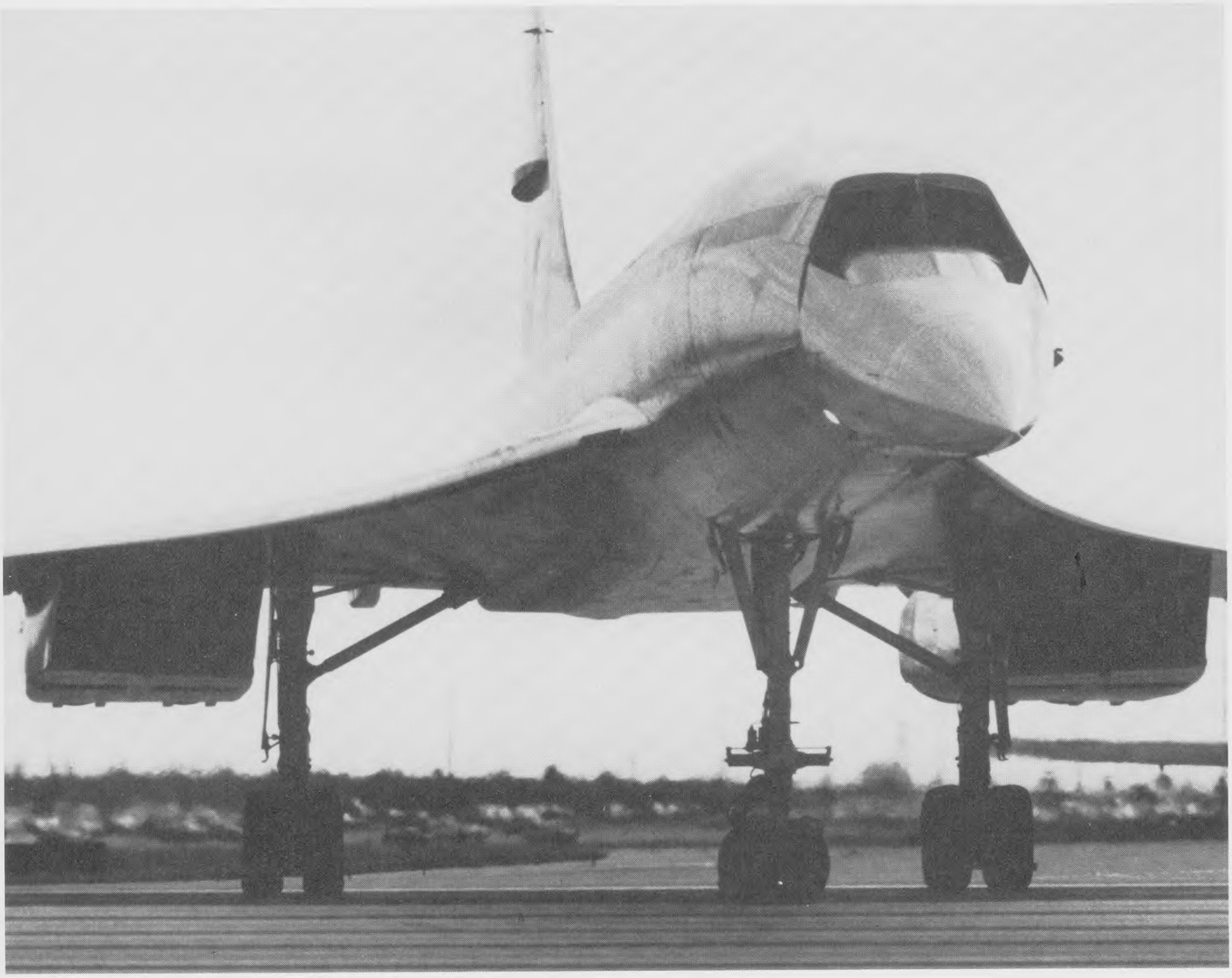
Banks finding this new service most useful are generally in the \$30-million- to \$300-million-deposit range and have from five to 20 directors on their boards.

Here are a few "capsule" examples to illustrate types of banks served, areas in which they operate and results achieved. Deposit sizes of these banks vary from \$35 million to \$200 million. Communities served range from "small towns" to metropolitan centers. Number of directors averaged 12 per bank.

In each of these cases, the study had simple and basic objectives:

1. To provide an in-depth profile of director abilities so that individual experiences could be utilized to maximum advantage.

2. To provide a confidential vehicle



Dallas is flying high as a major transportation center.

From the days of cattle trails to the days of supersonic jets trailing off in the sky, Dallas has been a transportation hub. A crossroads of the nation ... and now the world.

D/FW Airport is the world's largest airport in area. And many of the travelers who pass through D/FW Airport are bankers ... coming to Dallas for one reason ... Republic National Bank.

Our correspondent banking division is known across the United States. Through Republic National Bank of Dallas, you can offer your customers a complete range of financial services such as trust and investment, petroleum and minerals, even international.

Republic's help and cooperation are sought by correspondent banks in virtually every state. Because we offer our correspondents the capabilities and financial services of the Southwest's preeminent commercial bank.

Republic is one reason that Dallas has become the lead city in correspondent banking. Yet even though bankers pass through D/FW Airport on a regular basis, they're only a hint of what the future holds.

For us—and for Dallas—the best is yet to come.

Republic National Bank is Dallas.

REPUBLIC
OF TEXAS

Member FDIC

for significant, one-way, in-depth communication between director and executive management.

3. To stimulate a greater use of director creativity.

Some directors were skeptical at the start of the project in their bank. Some said that this was "a waste of time." They said that there were no problems of any kind on their board, and the interviews would not benefit the bank. In each case, however, the most critical at the start were the loudest in their praise when the final report was made!

As mentioned, questions concerning board meeting procedures were used as interview "warm-ups." Though these questions were purposely simple, they frequently uncovered surprising information. For example, some directors thought board reports were too detailed containing "too many Mickey Mouse items completely uninteresting to the board."

Another question — "Would you like to know more about the bank's operation?" — brought an eye-opening 90% of "Yes" responses. One answer in this area was a question in itself — "What are my responsibilities? What decisions, if any, am I supposed to make?"

When directors were asked — "How is the bank benefitted by your presence on the board?" — other surprising information was revealed. Some thought their judgment and experience were not wanted or used. ("I'm only a rubber stamp for management.") Another felt the board had no real authority. ("I feel pretty useless.")

Most directors were not aware of their legal and financial liabilities. At one bank, only 18% of the directors were knowledgeable on this important subject, and comments of others indicated similar uneasiness. Typical responses included: "It bothers me — I want to be informed — think we're purposely kept in the dark — what we need is a complete accounting of our liabilities, and to know the areas in which we are and are not protected."

Questions relating to the CEO brought surprisingly frank answers. What does the CEO do best? What should he do more of? What isn't he doing that he should be?

One point stood out. Throughout the opinions expressed, there was a common desire — "Open up good two-way communication between directors and CEO." In varying degrees, this director request was visible at most banks and in all types of areas.

All banks included in these examples reported similarly significant observations by directors, yet no two banks had exactly parallel problems. All, to some degree, had relatively minor complaints — and compliments — about the way board meetings were run. Following are a few examples:

"Board presentations are complete and well done," but "directors are at meetings only to listen and not participate."

"I feel fully aware of what is going on," but "there should be better communication between bank officers and directors."

"Directors seem to be at meetings only to listen, not participate. Meetings get boring because we are so seldom asked to do anything."

Boardroom environment, as might be expected, was of some concern to most directors. A quality room, they felt, was subtly indicative of the banks' appreciation of their efforts and important to the caliber of work performance there. As to specific suggestions, most opted for a room of ample size, with extra lounge chairs and casual furniture, in addition, of course, to the board table and chairs. An interesting suggestion was that the seating arrangement around the table be varied from meeting to meeting so that members would mix and get to know one another better.

Although directors believed they could become good new-business ambassadors for the bank, they had mixed responses on how much they should do.

Directors for years have been expected to use their prestige and affiliations to bring business to their bank. Some did. Some didn't. But there was no way to measure how much of the full potential of this market was being developed. As a fringe benefit of this project, directors' feelings on this subject also were probed.

Placing Historical Marker

Placing a bronze historical marker in front of Fort Worth Nat'l's Alexander Calder sculpture, "The Eagle," are (from l.) Bennett L. Smith, ch., Tarrant County Historical Commission; Bayard H. Friedman, ch., Fort Worth Nat'l; and Lewis H. Bond, ch., Texas American Bancshares. The sculpture, which was acquired by the bank in 1972 and unveiled in 1974, was "recognized" by the historical commission as one of the major works of the internationally known artist and sculptor. The sculpture, which is 40 feet high, is located in front of the downtown bank building.

In general, almost all directors wanted to "do more." Most recognized that helping identify new business was a basic part of their director obligation. There was a common desire to help the bank grow although many confessed to not working at this all the time.

Most bank boards indicated that "reminder" programs were needed to keep directors aware of their new-business responsibilities. (At several banks' request, Prestige Services created and made available a simple reminder series that serves this purpose.)

Relatively few directors seem willing to sell aggressively — and, in most instances, since they may lack in-depth knowledge of bank services, it may be well that they don't. Directors can be of great help, however, in "opening doors" for trained bank officers to follow through. A person sent to a bank officer with a director's recommendation is a gilt-edged prospect.

All interview questions asked a director are relevant, in some degree or other, to bank earnings and growth. None, however, carry the potential significance of this question: What is each director's candid appraisal of the CEO?

Ordinarily, the various strengths and weaknesses of every person are a matter of only personal concern. But in the close confines of the boardroom — where a small group is held responsible for a bank's success — it is important that pertinent personal traits be considered frankly.

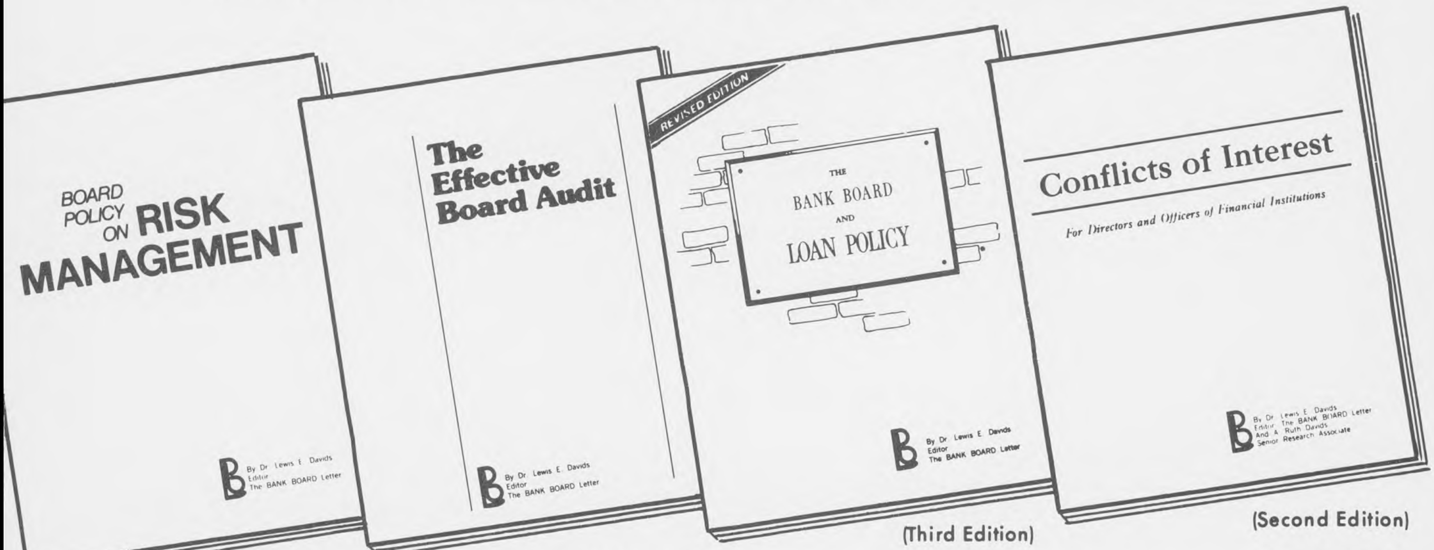
However, in the boardroom, this may be virtually impossible to do. Concerned directors, for obvious reasons, may be reluctant to speak out face-to-face to the CEO. The Prestige Services' confidential approach, however, removes this roadblock and opens productive and positive communications never before possible to the benefit of the CEO, the directors and the bank.

All agree this could have succeeded in no other way. Only a warmly interested but objective observer, applying a proven professional plan, can obtain these results.

Honesty, frankness and sincerity marked every director interview. A few of many remarks recorded are quoted to illustrate their value to

Help Stamp Out Director Liability Risk

With These Four Board-Related Manuals



(Third Edition) (Second Edition)

$16.00 **$18.00** **$10.00** **$10.00**

(1) **BOARD POLICY ON RISK MANAGEMENT.** This new 160-page manual provides the vital information a board needs to formulate a system to recognize insurable and uninsurable risks and evaluate and provide for them. Included are an insurance guideline and checklists to identify and protect directors against various risks. *Bonus feature:* A model board policy of risk management adaptable to the unique situations at any bank. Every member of your bank's board should have a copy!

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(2) **THE EFFECTIVE BOARD AUDIT.** This 184-page manual provides comprehensive information about the directors' audit function. It outlines board participation, selection of an audit committee and the magnitude of the audit. It provides guidelines for an audit committee, deals with social responsibility and gives insights on engaging an outside auditor. It includes checklists for social responsibilities audits, audit engagement letters and bank audits. No director can afford to be without a copy!

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(3) **THE BANK BOARD AND LOAN POLICY.** Just off the press! This revised and expanded manual enables directors to be a step ahead of bank regulators by providing current loan and credit policies of numerous well-managed banks. These policies, adaptable to any bank situation, can aid your bank in establishing broad guidelines for lending officers. *Bonus feature:* Loan policy of one of the nation's major banks, loaded with ideas for your bank! Remember: A written loan policy can protect directors from lawsuits arising from failure to establish sound lending policies! Order enough copies for all your directors!

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(4) **CONFLICTS OF INTEREST.** Conflicts of Interest presents everything directors and officers should know about the problem of "conflicts." It gives examiners' views of directors' business relationships with the bank, examines ethical pitfalls involving conflicts and details positive actions for reducing the potential for conflicts. Also included is the Comptroller's ruling on statements of business interests and sample conflict-of-interest policies in use by other banks which can be adapted by your board.

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CEOs hoping to improve board effectiveness. CEOs, especially, benefit by this opportunity to "see ourselves as others see us!" Here are a few things directors had to say about their CEOs:

"Hasn't good employee communications — doesn't spend enough time in bank and has too many outside interests — involves board only in little details — delegates responsibility but not authority — officer pay scale is in trouble and must be fixed before more good men are lost — needs good two-way communication with board — is in danger of losing control of bank management."

Comments like these can lead a CEO to speedy correction of serious bank problems, which, after all, is why the CEO ordered the research made. Here are other comments:

"CEO makes unilateral decisions where board is affected — must work harder at PR and show more friendliness — would be better off with fewer directors — never says 'thanks' — gives board information too late to permit discussion."

Some concerns are minor. Others, however, can be major and demand immediate attention. In some cases, the CEO was not aware of these shortcomings and welcomed the opportunity to take corrective action.

The most important part of the Prestige Services research is the detailed written report made to the CEO, with copies to the directors. Pertinent director answers are quoted verbatim. Tabulated responses show statistically the feelings of the board. Finally, from its study of the findings, Prestige Services lists its conclusions and suggestions.

In most banks, after a sufficient time for study and appraisal, the CEO meets with the board to plan the action to be taken. Some corrective measures can be taken immediately. For example, minor changes in board meeting procedures. Major changes may require further board consideration and planning with schedules drawn up to assure follow-through and completion in the quickest and most practical manner.

No two banks shared exactly the same problems. But each had one dangerous weakness — an unsuspected weak communications link between directors and CEO. Some directors, at the beginning, scoffed openly at the need for this study, yet became most appreciative later when viewing documented evidence of critical weaknesses.

Excerpts from correspondence with Prestige Services illustrates how bank boards and CEOs feel after receiving project reports. Because of the confidential nature of these reports, names and locations obviously cannot be given, but here is what they said:

"Our internal deficiencies were crystallized and your recommendations well accepted. Your report can do nothing but help management and the board, and should be very useful to the CEO. We should repeat your program every two years."

"Over and above your report's immediate value, this important document will be used here for the next two years."

"Your report changed board attitude from indifference and complacency to active interest and involvement in new-business opportunities."

"You put into perspective some acute operational problems and uncovered a critical conflict in senior management."

"Initially, my directors asked why your program was necessary. Today, we are a stronger management team as a result of it. Board members needed this opportunity to express themselves; I needed their constructive comments."

"Before your study, directors claimed communications with me were 100%; your directors' interviews showed me otherwise. Your report has proved beneficial to me and the directors in the management of this bank. In addition, over 50% of our directors are now opening doors to new-business opportunities!"

"Previously, we had a major split in our board and didn't even recognize it. Your report identified the reasons and uncovered other serious morale problems."

All this is evidence of a basic truth that communications today is an essential need of every activity involving people. With it, people work at maximum efficiency. Without it, chances of reaching that goal are greatly reduced.

Few groups work closer together or are so dependent on complete understanding than bank management and its directors. Yet, Prestige Services research indicates that often wide communications gulfs exist between the two to the mutual disadvantage and loss of everyone.

During its more than three years of research, Prestige Services has demonstrated a way in which this gap can be closed harmoniously, easily and profitably. A number of banks have discovered it is good business to see yourself as others do especially if you are a CEO. ● ●

Members' Names Announced For Inflation Task Force; Ben F. Love Is Member

WASHINGTON, D. C. — Ben F. Love, chairman, Texas Commerce Bank, Houston, has been named to the ABA select task force on inflation, headed by Gaylord Freeman. Mr. Freeman is honorary chairman and former chairman, First National, Chicago.

Late last year, the ABA formed this task force and one on government regulation in an effort to see whether either or both can be reduced in the coming decade. A feature article on both groups and a list of Mid-Continent-area bankers on the government regulation task force appeared in the January issue of MID-CONTINENT BANKER.

Other members of the inflation task force are: Professor Martin S. Feldstein, department of economics, Harvard University, Cambridge, Mass.; Professor Jay Forrester, system dynamics group, Massachusetts Institute of Technology, Cambridge; Richard D. Hill, chairman, First National, Boston; Walter E. Hoadley, executive vice president, Bank of America, San Francisco; Sidney L. Jones, American Enterprise Institute for Public Policy Research, Washington; Henry Kaufman, partner, Salomon Brothers, New York City;

Paul W. McCracken, Edmund Ezra Day University professor of business administration, University of Michigan, Ann Arbor; A. A. Milligan, Bank of A. Levy, Oxnard, Calif. (former ABA president); Arthur M. Okun, senior fellow, Brookings Institution, Washington; Leif H. Olsen, senior vice president/economist, Citibank, New York City; Joseph J. Pinola, chairman, Western Bancorp., Los Angeles; and David Rockefeller, chairman, Chase Manhattan, New York City.

Closely Held Businesses in KC Briefed on Inflation Survival

Pictured are several speakers at United Missouri of Kansas City's Closely Held Business Conference.

NURTURING the growth of closely held businesses was the goal of a Closely Held Business Conference cosponsored by United Missouri and Arthur Andersen & Co., both in Kansas City.

Designed to help closely held business owners thrive in this era of inflation and complex regulations, the conference presented various techniques of financial planning and tax management.

"One of the most important things the owner of a closely held business should remember about the economic future is that we are not going back to the old days," said R. Crosby Kemper, chairman, United Missouri. "We are coming into a time of permanently higher interest rates because of an ever-increasing inflationary environment."

Nearly 300 businessmen and women were told they could avoid the threat that income and estate taxes pose on closely held businesses through careful planning. They were advised to learn about new tax laws and regulations and were told about using estate planning and trusts to their companies' benefit.

Other topics included cash management, i.e., funds transfer, disbursement controls and supplemental services offered by banks to aid in cash management; financial management and outside capital sources and bank lending. • •

Consumer Bankruptcy Guide Published For Bankers By Consumer Bankers Assn.

The Consumer Bankers Association has published *A Banker's Guide to Consumer Bankruptcy* that explains provisions of the Bankruptcy Reform Act of 1978 and the new Bankruptcy Code as they apply to consumer debtors.

The new code was effective October 1, 1979, for all bankruptcy cases filed on or after that date.

Written in laymen's language, the book explains what various sections of the code will mean in actual practice. Real-life examples are used extensively to illustrate the banker's obligations and rights, those of the debtor and what the banker and debtor must do to establish those rights.

Priced at $25, *A Banker's Guide to Consumer Bankruptcy* is available from the Consumer Bankers Association, 1725 K Street, N. W., Washington, DC 20006.

Volcker, Sprague to Speak At 50th IBAA Convention On West Coast March 10-12

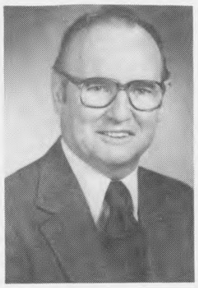
SAN FRANCISCO — FDIC Chairman Irvine C. Sprague and Fed Chairman Paul Volcker will be among speakers at the Independent Bankers Association's 50th-anniversary convention March 10-12 at the San Francisco Hilton. Mr. Sprague will speak March 11 and Mr. Volcker March 12.

The March 11th program also will feature the keynote address by IBAA President Raymond D. Campbell, president, Oberlin (O.) Savings Bank Co., who will appear after the showing of the IBAA's golden-anniversary film; and a talk by C. John Tupper, M. D., dean, School of Medicine, University of California/Davis. His topic will be "Executive-Health Maintenance in Today's Stressful World." The business session that day will feature the nominating committee's report and election of officers. By tradition, Thomas F. Bolger, now first vice president, will move up to president. He is president, McHenry (Ill.) State.

March 12th activities will include discussions/reports by the IBAA's panel on legislation and future bank structure and resolutions committee and adoption of resolutions and amendments to bylaws.

Entertainment will consist of appearances by banjoist Scotty Plummer, comedian Hal Roach and Walt Tolleson and his orchestra — all on March 11 — and pianist Roger Williams and Ernie Heckscher and his 20-piece orchestra on March 12. The latter will play for dancing.

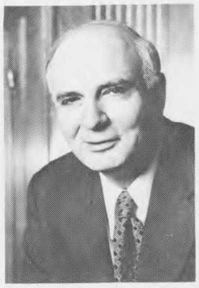
SPRAGUE



BOLGER

TUPPER

CAMPBELL



VOLCKER

Credit Program Exceeds Expectations at Bank

A FLEXIBLE and totally personal credit program at Louisville's Liberty National, initiated in February, 1978, is running ahead of its projected level of acceptance. Called Executive Line, it is an unsecured, revolving line of personal credit that allows qualified individuals to, in effect, write their own loans for amounts up to limits for which they have been approved. They don't have to be bank customers; no collateral is needed, and no restrictions are placed on use of the funds.

When the program was started two years ago, the bank believed that, by the end of 1981, it would be serving 2,000 accounts, with 1,000 of them active, representing $3.5 million in outstandings. At year-end 1979, there were approximately 1,200 accounts, with some 800 of them active, representing more than $3 million in outstandings.

The program — unique in Kentucky when it was introduced — is patterned after similar credit programs in operation at Bank of America, San Francisco, and United Virginia Bank, Richmond.

With Liberty National's Executive Line, credit lines range from $3,000 to a maximum of $25,000 and are established by personal financial statements submitted by applicants. Once approved, an applicant receives an Executive Line checkbook. To activate the account, the customer simply writes an Executive Line check. This saves him from having to apply for this type of loan every time the need arises and also saves time and money for both the customer and bank.

The program provides personal flexibility in determining use of the funds and allows the customer to establish his own repayment schedule.

Liberty National's customers have found Executive Line convenient for such long-term debts as purchases of cars, boats or major household appliances, home-improvement, travel, education or emergency funds. It also is convenient for such short-term debts as payment of expenses that will be reimbursed by insurance claims or expense accounts or repaid by income-tax refunds.

An acceptable Executive Line customer generally has a minimum annual income of $20,000 and a net worth of at least $30,000, has proved job stability or significant income potentiality, has realistic personal-credit needs and has a sound credit history. A customer is required to file a financial statement annually to maintain and adjust the limits of his Executive Line account.

Customers receive monthly statements and bills listing current balances, any new checks written and payments made during the month. Payments are $65 a month up to $3,000 of outstanding debt and 2½% of the balance for any amount over $3,000. The interest rate, which has been 11½%, will rise as of May 1, 1980, to 1% over prime, adjusted quarterly, with a minimum of 12% and maximum of 18%.

When the plan was started, the bank sent a brochure promoting it to selected individuals. More recently, the bank tied in its promotion with the American Express Gold Card. This card was offered to all Executive Line accounts, and an Executive Line brochure was included with all applications for a Gold Card sent by American Express. This year, Liberty National will initiate a marketing plan aimed at a more specific market.

Commenting on the program's success, Sharon Handy, an Executive Line officer, notes, "Customers particularly like the flexibility and timesaving convenience the service offers. There is a certain amount of prestige in being able to write a check on the spot for $5,000." • •

Two Promotions Announced At St. Louis Union Trust

ST. LOUIS — Robert McK. Jones has been elected senior vice president of St. Louis Union Trust Co., where he is operations division head and corporate secretary.

Also, Joseph A. Pesnell, personal trust investment and investment advisory division head, has been elected a vice president.

Lending Picture

(Continued from page 25)

down payments on consumer-loan contracts.

Mrs. Waite advised banks to be stricter with marginal borrowers even though this probably will keep them from getting any credit.

At the $430-million Exchange National, Chicago (medium 8-figure portfolio), Vice President Robert W. Jackson says, "We have elected to charge off a bankruptcy loan immediately on receipt of the bankruptcy notice and treat any recovery as a credit to the loan-loss reserve."

"Profitability will be the real key as far as bank policies on installment lending are concerned in 1980."

Soy Capital Bank, Decatur, Ill., a $50-million bank with an $8-million installment-loan portfolio, has this answer to the bankruptcy law, according to Larry E. Ramey, vice president: Instead of making a loan to a marginal risk with a cosigner, the bank probably will make such a loan to the "old cosigner" and have the marginal borrower be the "cosigner." State bank, a $44-million bank ($9 million in installment loans) in Collinsville, Ill., simply is eliminating all questionable borrowers and applicants, said James E. Brown, vice president.

In the opinion of J. S. Gaskell Jr., chairman/president, First Alabama Bank, Montgomery, "This new law is a disaster. Hopefully, Alabama will enact its own new bankruptcy law. The new (federal) act permits state law to take precedence."

Champaign National's Mr. Saegesser had this to say about the new law: "As long as you are a lender, this act will be a percent of your loss. The question being, with a down economy, will it be higher? As of this writing, bankruptcy losses are not yet going higher than was expected. In our area, they are 33% up from the previous year."

A St. Louis banker reported his bank has changed some of its collection practices because of the new law, but has not tightened its credit standards. He put it this way, "If a borrower qualified for a loan in December, 1978, he would qualify for a loan in December, 1979 — if the money is available."

In answer to the survey's question on whether there are any problems or new policies on installment-loan collections, many bankers said they were watching the past-due columns more closely than before, placing stronger emphasis on collection activities and being more aggressive in making collections.

A question on regulations brought responses such as: "Our bank needs a full-time compliance officer, but budget restrictions won't permit it." "The solution to dealing with regs is to eliminate them! It continues to be ironic that the only thing a customer concerns himself with is, 'How much a month and what is my due date?' — after he receives the proceeds!" "Can't do a good lending job for our customers because of filling out forms." "Cause of a substantial increase in doing business." "Our increased costs because of these regulations must be passed on to the consumer. Compliance has taken away our usual expedient service to our customers." "They are inconsistent." "Too many changes."

Robert Guntert, vice president of the $34-million Country Club Bank, Kansas City, said, "Some are too new to judge what problems they may create. Some have increased expenses because of new forms, etc., but, so far, this has been absorbed into our normal routine. One principal problem is being able to remember all the regulations now in effect in various aspects of our bank's lending. We have found the Missouri Bankers Association's compliance library service helpful in answering some of our regulatory questions." His bank has $4.5 million in installment loans.

As to cost-cutting procedures in installment lending, banks have increased computerization, are not replacing personnel wherever possible, printing trial-balance sheets only on due dates and individual transactions each day, reducing personnel when possible and adding only when necessary. One bank hired a consultant to show it how to reduce costs.

In answer to a question on credit life insurance, L. P. Cardwell Jr., vice president, United American Bank, Memphis, said, "Due to the increasing cost of living and rising inflation, it now takes both husband and wife working to maintain the standard of living to which they have become accustomed. We feel both parties should be insured as a precaution against the death of either one. A heavy burden would be placed on the surviving spouse without credit life insurance on their loans."

"Credit-life penetration (at my bank) has been slipping," said T. A. Troutner, vice president, Peoples Trust, Fort Wayne, Ind. "We think it is caused by turnover in platform personnel. We will try to improve penetration through education and improvement of sales techniques. In addition, we feel that higher prices have caused the average consumer to look at eliminating credit-life premiums as a way to reduce payments when making a purchase money loan."

Bank of St. Ann, Mo. has just started a campaign to increase sales of credit life and accident and health. Such coverages, the bank believes, make a loan much stronger, while increasing profits.

"Installment lending can be a source of good loans to a bank," said Frank St. Charles III, senior vice president of the $175-million ($10 million in installment loans) United American Bank, Nashville, "but I'm afraid that competition has caused bankers to become much too liberal in granting loan requests. Our industry should become more attuned to the effect on the economy." ••

Symposium speakers: seated, Edward Teller, University of California; Robert N. Rasmus, CEO, Masonite Corp. Standing: Warren A. Hood, ch., Deposit Guaranty Corp.; John P. Maloney, ch., Deposit Guaranty; Robert G. Dederick, s.v.p., Northern Trust, Chicago; and E. B. Robinson Jr., pres., Deposit Guaranty.

At Deposit Guaranty Symposium

'Mild' Recession Predicted

Bright future for South's wood industry foreseen by Masonite's chief exec.

By RALPH B. COX, Publisher

THE NATION'S ECONOMY will not be headed for a sharp downturn in 1980 is the opinion of two speakers who appeared last month before a meeting of bankers and businessmen in Jackson, Miss.

It will be a "period of correction," according to Thomas A. Murphy, chairman, General Motors Corp., Detroit, and a recession of the "garden variety," according to Robert G. Dederick, senior vice president and economist, Northern Trust, Chicago.

The occasion for their remarks was an annual economic symposium sponsored by Deposit Guaranty National, one of Mississippi's two largest banks. The 1980 meeting drew the "largest crowd ever" and featured, in addition to talks by Mr. Murphy and Mr. Dederick, talks by Edward Teller, one of the nation's noted nuclear scientists from the University of California, and by Robert N. Rasmus, president, Masonite Corp., Chicago.

Mr. Murphy, an optimist (perhaps because of his many years of association with the auto industry), expressed the opinion that the economy is "in a lot better shape than people think." "Of course," he admitted, the "economy has been hard hit by inflation and massive industry layoffs and has been acting erratically." Yet, he reflected optimistically, the future of the nation is "rich with promise and opportunity."

Looking back into the nation's history, Mr. Murphy reflected, "There has not been a single decade in the entire history of our country that has not been marked by at least one major crisis of national or international importance. The thing to do is not to be distracted by the crisis immediately at hand but to look forward." As an example of this attitude, Mr. Murphy cited the decision of General Motors in 1973 to plan for lighter-weight and more efficient autos at a time, he noted, when the entire country was concerned about growing fuel shortages and the auto industry was suffering severely in current sales.

"Less venturesome competitors," he stated, "were retreating to the storm cellers, waiting for the economic winds to change."

Mr. Dederick, who sprinkled his talk with puns and pokes at his own profession, found no reason to differ with the GM executive. There is no question, he said, that we will have a recession. "It is just a question of *when* it will occur." However, he could find no convincing reason why he would predict a "plunge," but would be inclined, he said, to anticipate a recession of more "typical" proportions amounting to about 2½%-3% in real GNP terms over a three-quarter period.

This is overall view of guests at Deposit Guaranty of Jackson's symposium last month.

Several factors caused him to lean in that direction, he said. Housing-vacancy rates are low; inventories are not greatly extended; business-capital spending has been relatively restrained, and even the consumer is not greatly exposed.

Nonetheless, as economists oftentimes hedge their predictions, he admitted that his "standard" recession could be something much more pronounced if we experience another "oil

shock, another outbreak of dollar weakness, some sort of financial trauma and a greater-than-expected business weakness abroad." Until dangers from these areas have been erased, he said, the American economy will be uneasy.

As for inflation during this period, Mr. Dederick predicted a rate of 8½%-9% during 1980. Progress will be slight against inflation, he said, because of his expectations of a mild recession.

As a result, he said, the dollar will continue to be vulnerable to weakness vis-a-vis currencies of the German bloc. Thus, he said, the United States will be left with two broad choices:

1. A relatively subdued business recovery, or
2. Restrictions on freedom of markets in an effort to escape No. 1 and the chronic unemployment it implies.

Neither path is attractive, said Mr. Dederick. However, he hoped that the choice would be a subdued recovery. Slow growth, he said, at least offers the prospect of longer-term relief. Controls, on the other hand, merely lay the groundwork for further difficulties ahead, as past American experience has amply demonstrated.

Another industry leader, Robert N. Rasmus, Masonite president, agreed that "the recession is here. Housing starts already are down and in 1980 could drop as much as 25% from their 1979 total. As a result, profit margins of wood processors will be low in 1980," he said.

Looking ahead optimistically, as did Mr. Murphy, Mr. Rasmus predicted a "vigorous recovery" following the recession. The 1980s will be good years for the wood industry, with demand continually pushing the limits of supply.

The South, said Mr. Rasmus, will benefit most from an increased demand for wood products. He predicted that the South will account for 50% of single-family housing starts in the 1980s. During the '80s, he said, the South will add two billion feet of rough plywood capacity, while the West will lose nearly the same amount. The reason: Increasingly scarce and expensive timber supplies in the West will force inefficient mills there to shut down.

Similarly, he predicted a major growth of the South's sawmill capacity for the '80s. This increased demand for southern softwood will push prices upward (as well as profitability) in the South. It is possible, he said, that prices for southern pine lumber will exceed those of western species by the end of the decade.

A fourth speaker at the symposium left his audience with some sobering thoughts. The United States, said Edward Teller, is not militarily equal to the Soviet Union, both quantitatively and qualitatively. "It's a fact," he said, "that the Administration has tried to sweep under the rug."

To catch up and surpass the Soviets, warned Mr. Teller, we need a "new technology, and it won't happen until American scientists and American technology go to work."

Mr. Teller, a firm proponent of nuclear energy, expressed deep concern about the time lag in licensing nuclear plants. "We have been intimidated," he said by the Jane Fondas and Jerry Browns — all great nuclear experts."

Mr. Teller said the licensing of six additional nuclear plants could save this country $2.5 billion a year. But, he pointed out, the Nuclear Regulatory Commission now is scared out of its wits because of the Three-Mile Island incident, which did not cause one casualty.

Deposit Guaranty's half-day meeting concluded with a luncheon and an appearance by Miss America, Cheryl Prewitt, a 22-year-old Ackerman, Miss., native. ● ●

RMA to Expand Operations To Better Serve Members With Local Programs

PHILADELPHIA — A plan to expand operations of Robert Morris Associates' 32 chapters so they can serve local members more effectively was approved recently by the association's board.

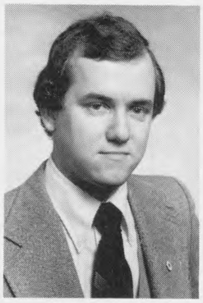
The plan emerged from a long-range planning committee preliminary recommendations report submitted to the board. For the past year, the committee has been examining the RMA's local and national activities. This fall, it will submit to the board a final report.

According to RMA President Edwin A. Schoenborn, senior executive vice president, Irving Trust, New York City, the RMA's chapters will be urged to (1) establish formal sub-chapters for "groups" in all major population centers in their territories; and (2) to organize into "divisions," where applicable — (loan) policy, domestic lending, international lending and credit — similar to those of the national RMA organization.

Mr. Schoenborn's one-year term as RMA president ended August 31, but it was during his administration that this plan was developed.

Approval of this plan by the board will greatly benefit the entire RMA membership, Mr. Schoenborn says. "We believe that if our chapters and groups adopt the division structure, it will ensure more involvement by RMA members in planning and executing local activities. A direct relationship with the national structure also will improve the communications flow from chapter posts to similar posts at the national level and vice versa," he says.

"Establishment of RMA groups in all major population centers will help decrease distances many members currently have to travel to attend local activities," Mr. Schoenborn says. "It will bring RMA programs, regularly, for the first time to many major cities. This should result in more participation in local programs."



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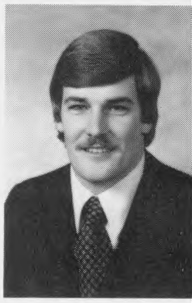

ROGERS

Two Promoted to Vice Presidents

SAN ANTONIO — New vice presidents at Frost National are Robert R. Neyland and Marcus P. Rogers. Karen M. Smith was promoted to assistant vice president.

Messrs. Neyland and Rogers joined the bank in 1978 and 1977, respectively. Miss Smith joined the bank in 1970.

CRA Statement

(Continued from page 53)

cation between lending institutions and their communities by bringing them together to consider protests:

Even if a protest is withdrawn, the Fed has an obligation to consider the applicant's CRA record.

Any decision to negotiate is up to parties involved.

The Fed will not necessarily approve an agreement between the parties.

The Fed doesn't endorse agreements to allocate credit.

The Fed also said it welcomes suggestions on improving its processes for handling CRA protests and other matters. ● ●

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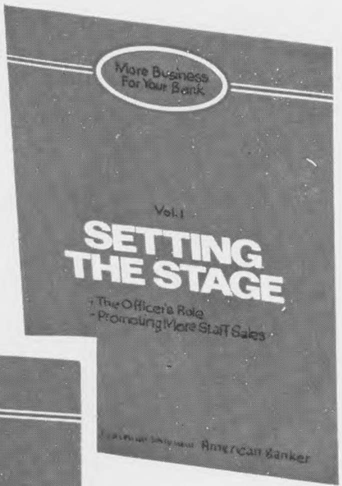

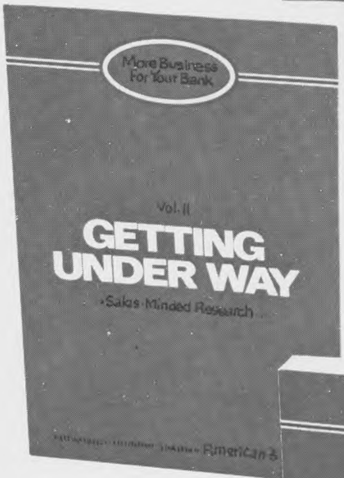

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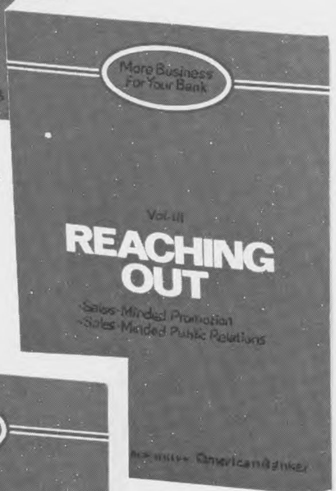

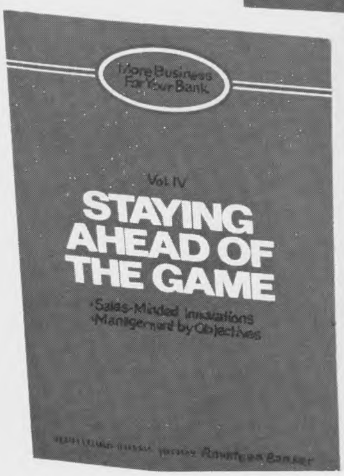

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ABOUT THE AUTHORS

SIDNEY EDLUND—Long-time senior partner of Sidney Edlund Associates, management counselors specializing in marketing, Mr. Edlund wrote the **More Business for Your Bank** column in the American Banker for 19 years. Before establishing Sidney Edlund Associates, the late Mr. Edlund was successively president of Pine Brothers, Inc. and Life Savers, Inc.

ARTHUR MITCHELL—A member of Sidney Edlund Associates for more than 15 years, Dr. Mitchell has created and co-authored many articles, books and texts on management and sales. Dr. Mitchell has taught economics at New York University, Wesleyan University, and the University of Vermont. He holds a PhD in economics from New York University.

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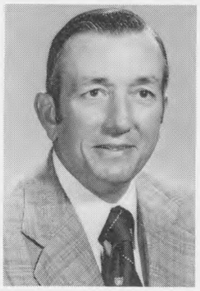
NEWS
From the Mid-Continent Area

Alabama


SHIRLEY

■ GEORGE S. SHIRLEY has been named president/CEO of First National, Tuscaloosa. Frank M. Moody will continue to serve as chairman. Mr. Shirley is president, Alabama Bankers Association, and a director of the Birmingham Branch of the Atlanta Fed. Also, Billy R. Gause has been named vice president/data processing officer and Benny T. Quimby, assistant vice president.

■ BYRD WILLIAMS has been named president/CEO, First National of Baldwin County, Fairhope. He had been executive vice president/cashier.

Arkansas

■ STATE FIRST NATIONAL, Texarkana, has promoted Shirley Clark and Billy W. Pike to assistant vice presidents. They joined the bank in 1976 and 1977, respectively.

Illinois

■ BANK OF NAPERVILLE has promoted Raymond J. Lenart to executive vice president/operations; and the following to assistant vice presidents: Joseph F. Bargo, Kenneth O. Martin, Richard D. Moline and Ruth I. Woods.

■ KENNETH L. HOEKENDORF has been promoted to assistant vice president, Riverside National.

■ ELMHURST NATIONAL has elected Arthur W. Plass and Everett F. Seegers to executive vice presidents. Both men, who are directors, began their careers at the bank in 1946.

■ JOHN R. DuVALL has been elected vice president/trust officer, City National, Rockford. He goes to the bank from a Flordia law practice specializing in estate matters. Also, he is a former trust officer of two Florida banks.

■ RALPH E. DYRESON has moved up from vice president to senior vice president, First National, Rockford, where he is in the consumer credit department. William E. Gorman, commercial loans, also was advanced from vice president to senior vice president. Others promoted were Carl A. Accardo, from assistant vice president to vice president, commercial loans; and Robert C. Dempsey, from operations officer to assistant vice president, consumer credit. Mr. Dyreson, with the bank 21 years, became vice president in 1966. Mr. Gorman went to the bank 15 years ago and was made vice president in 1973.

Indiana

■ AMERICAN NATIONAL, South Bend, has named Stephen T. McTigue senior vice president/business development, commercial division. Also, William S. Matunas has been named vice president/mortgage loan division head and Thomas J. Leland has been named trust officer.

■ TERRE HAUTE FIRST NATIONAL has named Michael F. Holmes assistant vice president/branch manager and Alex F. Kosarko Jr. assistant trust officer. New assistant cashiers include Marylou Hoffman, Alan L. Sackrider and Joe L. McDaniel, who also was named assistant trust officer.

Kansas

■ McPHERSON BANK has promoted Millie Starr to assistant vice president and Benita Case to assistant cashier.

■ UNITED AMERICAN, Wichita, has named Phyllis Smith vice president and Diana Fisher assistant cashier/branch manager.

■ STEVEN MICHEL has been named vice president/cashier, First Bank, Salina. Before joining the bank in 1975, he had been a Kansas bank examiner.

Kentucky

■ JERRY C. TROYER has joined First Security National, Lexington, as vice president/trust officer. He goes to the bank from First National, Kalamazoo, Mich., where he was vice president/trust investments. Also, Sister Michael Leo Mullaney, president, St. Joseph Hospital, Lexington, has been named the bank's first woman director.

■ VALERIE PETERSON has been

elected assistant cashier at Citizens National, Bowling Green. She joined the bank in 1976.

■ SECOND NATIONAL, Lexington, has opened its newest branch within a U. S. Post Office. Sue F. Rue, vice president/customer service, is branch manager.

Louisiana

Emile Amardeil Dies

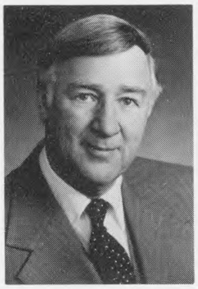
NEW ORLEANS — Emile W. Amardeil, retired v.p., Whitney Nat'l, died December 28. He joined Whitney in 1918 and was elected v.p. in 1953. Mr. Amardeil retired in 1967 after almost 50 years of service, mostly in international banking. In 1963, he served as pres., Bankers Association for Foreign Trade.

Mississippi

■ UNITED SOUTHERN BANK is the new corporate name for the following north central and northwest Mississippi banks: Bank of Clarksdale, Bank of Oxford, Bank of Batesville, Merchants & Planters Bank of Drew, Bank of Lambert, Tutwiler Bank, Bank of Sledge, Bank of Pope, Friars Point Branch, Jonestown Branch and Lula Branch.

■ BILL VANCE has been promoted to operations officer, Brookhaven Bank. Mr. Vance went to the bank in 1978. While a college student, he was an FDIC student assistant examiner.

Missouri



BROWN

■ KENNETH D. BROWN has been elected a vice president, St. Johns Bank, St. Louis County. Mr. Brown has been in banking for more than 20 years, including 16 years with National Stockyards National, National City, Ill., and two years with Boatmen's National, St. Louis.

■ FIRST NATIONAL, Lebanon, has promoted the following: Lee Smith to senior vice president, Margie A. Brown to vice president/board secretary, Burl Snook to vice president and Brent Smith to cashier. New assistant cashiers are Lena Smithpeter, Edyth Norman, Margaret Pearcy and JoAnn King.

■ ERNEST A. COE has been elected president, Lewis & Clark Mercantile Bank, St. Louis County. Mr. Coe succeeds Sanford P. Ritter, who was elected vice chairman. Formerly, Mr. Coe was an executive vice president at another St. Louis-area bank.

■ SALISBURY MERCANTILE BANK held an open house in January celebrating completion of a major renovation of the bank's main office. The renovation doubled the bank's floor space. First prize in the "Salisbury Stakes" celebration was 45 pounds of choice beef loin cut to the winner's order. Five additional prizes of 10 one-inch-thick, choice strip steaks also were awarded.

■ JAMES F. SWAFFORD has been named vice president, Exchange Bank of Richmond. He had been a director since 1966.

■ CITIZENS BANK, University City, has promoted the following to assistant cashiers: Charlene F. Boyle, Shirley A. Burford and Ruth Ellen Merioles.

■ PETER W. CALLOW has been appointed president/CEO of Boatmen's National, North St. Louis County. Mr. Callow goes to the bank from Mid-Continent Bank, Kansas City.

New Mexico

■ FIRST NATIONAL of Dona Ana County, Las Cruces, has promoted the following to assistant vice presidents: Jennie Alvidrez, trust officer; Robert O. Johnson, accounting; Jerry Loleit, customer accounts; Randel Mansell, agricultural loans; Steven R. McClanahan, commercial loans; Mark Mirimanian, personnel.

Oklahoma

■ JERRY L. HUDSON has been named senior vice president/commercial loan department, Mercantile Bank, Tulsa. Mr. Hudson goes to the bank from First National, Oklahoma City, where he was vice president/correspondent banking and regional lending.

RICE

■ CHARLES O. RICE has been elected senior vice president and advisory director of United Oklahoma Bank, Oklahoma City. Mr. Rice goes to the bank from Bank of Oklahoma, Tulsa, where he was senior vice president and manager, financial institutions department.

Tennessee

BARNES

NEWELL

■ FIRST NATIONAL, Jackson, has named David W. Newell president/CEO. He joined the bank in 1978 as executive vice president. Before then, he was senior vice president, Citizens Fidelity, Louisville. Mr. Newell succeeds Walter Barnes, who has been elected executive committee chairman. Mr. Barnes served as president, Tennessee Bankers Association, in 1968-69.

■ GARY MORRELL has been named assistant cashier/assistant branch manager of the Jonesboro Branch of Hamilton Bank, Johnson City.

Texas

■ PARKER SQUARE BANK, Wichita Falls, has promoted Marveda F. Moyer and Jerry L. Boone to assistant vice presidents. Both have been with the bank since 1962.

■ GATEWAY NATIONAL, Fort Worth, has promoted Nellie Hawk and

Awilda Tyner to vice presidents and Louise Sanders to assistant cashier.

■ FIRST NATIONAL, Midland, has elected Charles D. Fraser president and Wilbur A. Yeager Jr. chairman. Mr. Yeager joined the bank in 1958 and was named president in 1975. Mr. Fraser, who joined the bank in 1966, became executive vice president in 1975. Also, Ed Ely has joined the bank as vice president, correspondent banking. He goes to the bank from State National, El Paso.

■ TEXARKANA NATIONAL has promoted Kathryn Ivey and Robert E. Letterman to vice presidents. They joined the bank in 1960 and 1968, respectively.

■ FIRST STATE, Bedford, has promoted Elsie Gunter to executive vice president/administration, Wanda O'Rourke to senior vice president/cashier and B. F. Robinson to senior vice president/credit and lending division. Also, Mrs. Gunter was elected a director.

Died. Anne Burnett Tandy, a director of First National, Fort Worth, on January 1. She was the great granddaughter of Captain Martin B. Loyd, who organized the bank in 1870.

Fed Answers Regs Questions

Randall C. Sumner, assistant vice president in St. Louis Fed's consumer and community affairs dept., answers common questions about federal regulations that affect most banks. Information given here reflects Mr. Sumner's opinions, not necessarily those of the St. Louis Fed or the Board of Governors.

Q. How is the rate established for the new time-deposit category with a maturity of 2½ years or more?

A. The ceiling rate on this new time deposit is tied to the yield on Treasury securities maturing in 2½ years. For thrift institutions, the ceiling rate is 50 basis points below the 2½ year Treasury rate, while for member banks the ceiling rate is 75 basis points below the Treasury rate. The ceiling rate is announced monthly for new deposits based on the rate announced by the Treasury three business days before the beginning of each month.

Q. May the new time-deposit category with a maturity of 2½ years or more be purchased by IRA/Keogh plans and governmental units?

A. The new time deposit may be offered to all depositors, and member banks are permitted to pay the same rate as thrifts when IRA/Keogh and governmental-unit funds are deposited in the new 2½-year-or-more instruments.

Q. What other terms and conditions apply to the new time deposit?

A. The new time-deposit category became effective January 1, 1980. There are no minimum deposit requirements and compounding of interest is permitted. The new time deposit replaces the four-year, variable-rate deposit that had been in effect since July 1, 1979.

Q. May rates on existing IRA/Keogh time deposits be automatically increased to the new 2½-year rate?

A. To date, no authorization has been given member banks to automatically increase rates in IRA/Keogh accounts to the 2½-year rate. Thus, any existing time deposit redeemed prior to maturity for the purpose of reinvesting at the 2½-year rate is subject to the applicable penalty for early withdrawal.

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