

MID-CONTINENT BANKER

(ISSN 0026-296X)

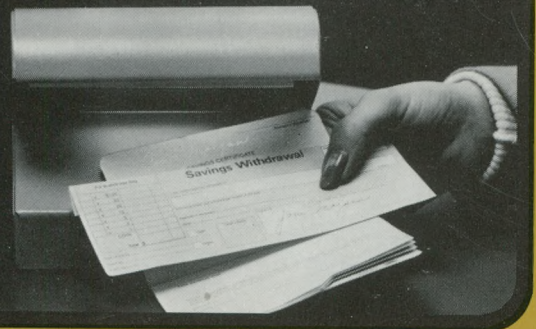
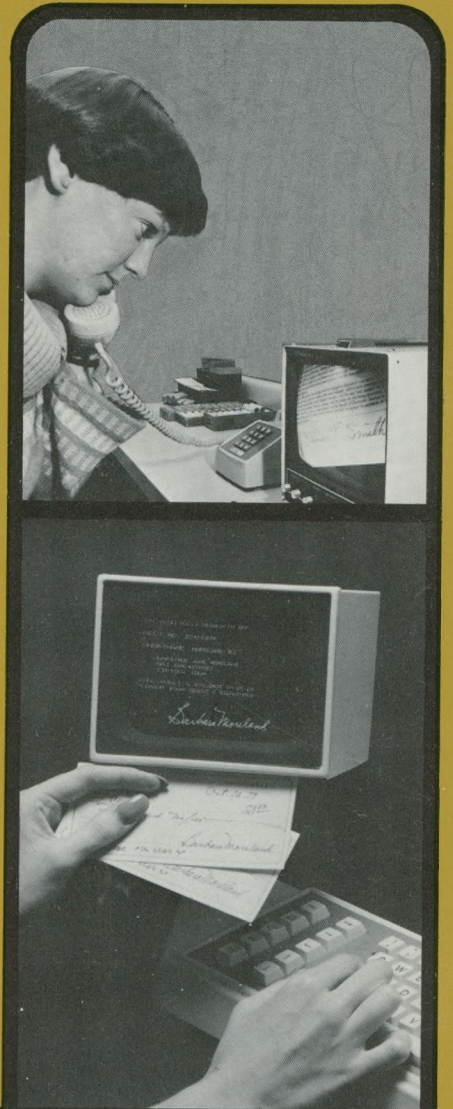
The Financial Magazine of the Mississippi Valley & Southwest

MARCH, 1980

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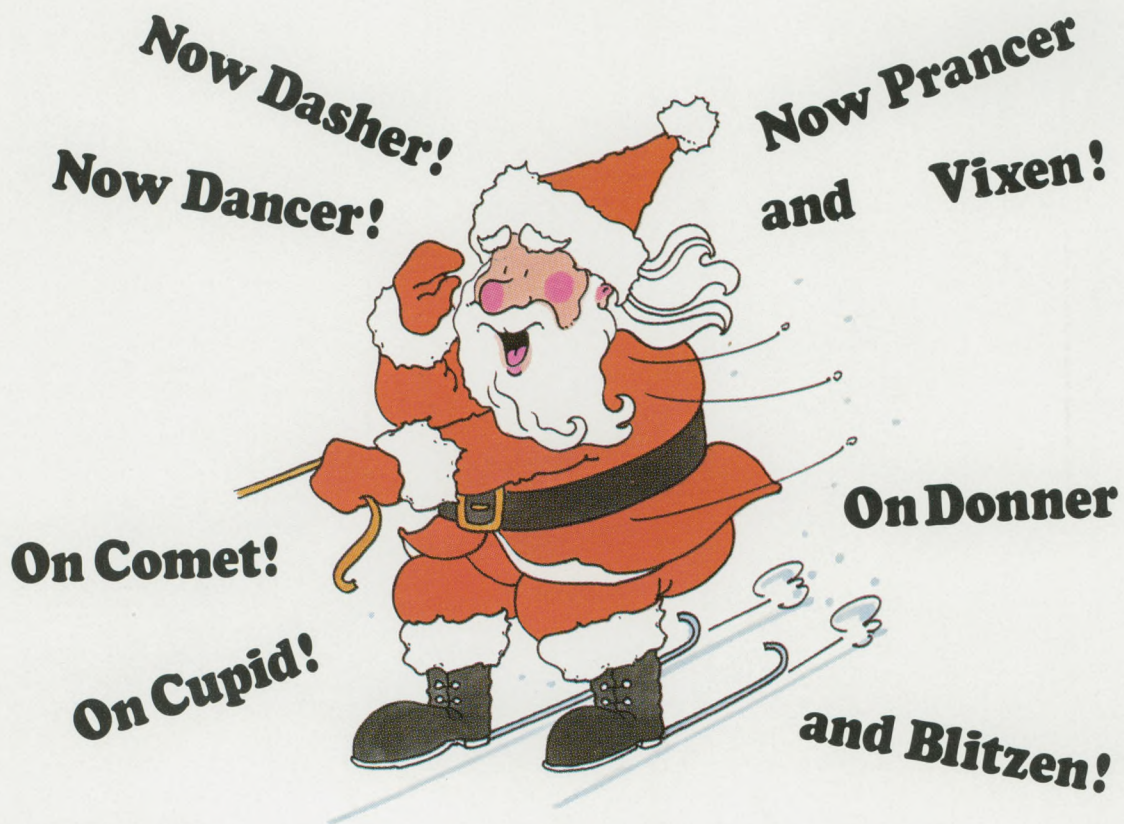
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MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

Convention Calendar

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March, 1980

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- 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.
- April 27-30: ABA National Marketing Conference, Miami Beach, Americana Bal Harbour.
- April 27-30: Conference of State Bank Supervisors Annual Convention, Las Vegas, MGM Grand Hotel.
- April 27-May 3: ABA Executive Program on Retail Banking, Houston, Houstonian Inn.
- May 4-6: ABA International Personnel Workshop, Chicago, Continental Plaza.
- May 4-7: Bank Administration Institute 1980 Conference on Banking Issues, New Orleans, Hyatt Regency.
- May 4-9: ABA National Commercial Lending Graduate School, Norman, Okla., University of Oklahoma.
- May 6-7: ABA Compensation Workshop, Chicago, Continental Plaza.
- May 10-13: Arkansas Bankers Association Annual Convention, Hot Springs, Arlington Hotel.
- May 11-16: ABA National Personnel School, Boulder, Colo., University of Colorado.
- May 11-16: ABA Community Bank CEO Program, Houston, Houstonian Inn.
- May 12-14: Bank Administration Institute Bank Tax Conference, Nashville, Hyatt Regency.
- May 14-16: Alabama Bankers Association Annual Convention, Mobile, Municipal Auditorium.
- May 14-16: Kansas Bankers Association Annual Convention, Overland Park, Glenwood Manor.
- May 15-18: Independent Bankers Association of America Seminar/Workshop on Bank Ownership, Clearwater Beach, Fla., Hilton Inn.
- May 17-21: Mississippi Bankers Association Annual Convention, Biloxi, Biloxi Hilton Hotel.
- May 18-21: ABA National Operations/Automation Conference, New York City, Hilton and Americana hotels.
- May 18-21: Tennessee Bankers Association Annual Convention, Gatlinburg, Sheraton Hotel.
- May 19-21: Oklahoma Bankers Association Annual Convention, Oklahoma City, Sheraton Century Center Hotel.

MID-CONTINENT BANKER for March, 1980

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The Banking Scene



By Dr. LEWIS E. DAVIDS

Illinois Bankers Professor of Bank Management
Southern Illinois University, Carbondale

Big Brother HUD in D. C.

A SMALL NUMBER of regulators in Washington, D. C., such as SEC Commissioner Roberta Karmel, are concerned about the proliferation of government regulations and expansion of its power. She recently said, "I believe that the exercise of governmental powers should be restrained and circumscribed by statutes enacted by Congress, which is democratically elected. I worry when a nonelected body, acting in good faith, but, nevertheless, only according to its "faith," which not everyone shares, adopts procedures on its own to implement vague ideals and concepts by sanctioning professionals whose very livelihood rests on their reputations. I have difficulty reconciling such ill-defined and subjective policy with the notion that prosecutorial agencies must operate within defined perimeters of law."

Such people should be applauded and supported. However, about the time that she was making that statement, the Department of Housing and Urban Development (HUD) was proposing in Section 109.20 of Title VIII of the Civil Rights Act of 1968 a regulation that would apply to banks, newspaper publishers, real estate firms, building and loan associations, in fact all individuals, firms and corporations, concerning "nondiscrimination" in advertising sale, rental, financing or other services connected with residential real estate. In its big-brother manner, HUD is proposing that use of certain words, phrases, sentences and visual aids should be avoided in order to eliminate their discriminatory effect. HUD contends that a selective use of advertising media or content may lead to discrimination and, therefore, should be avoided. The

regulation would interdict words, phrases and sentences dealing with (1) descriptive characterization of a dwelling, landlord and tenant, and (2) indicators of race, color, religion, national origin, sex and "catch words"; also symbols or logotypes, as well as colloquialisms that imply or suggest race, color, religion, sex or national origin and, believe it or not, a description of the area or location.

In a sad winter wonderland of Washington do-gooders, HUD would restrict directions to real estate for sale or rent because use of maps or written instructions might imply a discriminatory preference.

In a sad winter wonderland of Washington do-gooders, HUD would restrict directions to real estate for sale or for rent because use of maps or written instructions might imply a discriminatory preference, limitation or exclusion. It's HUD's position that "specific directions given from or to a racial or national-origin-significant area may indicate a preference and should not be used. Reference to a synagogue, congregation or parish also may indicate a religious preference and should not be used." Names of facilities that cater to a particular racial, national origin or religious group, such as a country club or private school used exclusively by one sex, should not be used to describe an area.

While it may be a national policy to avoid discrimination, in the areas that HUD has staked its claim, one must question HUD's judgment in proposing such a regulation.

The first amendment of our Constitution permits people to communicate accurate factual information. Consider the restriction on use of directions to real estate for sale or for rent by use of maps or written instructions. One of the basic facts of real estate is "situs," that is, each piece of property is unique in having a different location. How can one find real estate for sale without directions in many sections of suburbia? Or to look at it from another angle, would advertising in the *New Amsterdam News*, a newspaper in Harlem in New York City, or *Women's Wear Daily* be construed as a discriminatory device?

One of the most important reasons families choose to relocate is to be close to a well-regarded school. One must wonder what justification HUD can offer for making reference to a school a violation of Title VIII of the Civil Rights Act of 1968.

Consider the practical reality of such a regulation. Undoubtedly, we would have to have every newspaper, advertisement and TV and radio announcement of real estate monitored by HUD employees in terms of description of real estate for sale, lease or rent. Penalties undoubtedly would be applied to publishers and financial institutions in which there was a violation of HUD's regulations.

Probably the most glaring feature of this proposal is lack of recognition of the cost to benefits. That is, how much would it cost society and regulatory agencies to police something that actually would be a factual comment?

Recently, Robert T. Mayo, president, Federal Reserve, Chicago, noted that the cost of compliance with the Equal Credit Opportunity Act was

(Continued on page 82)



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Money-Market Funds—Unbeatable Competition?

MONEY-MARKET mutual funds operating in a virtually unregulated environment perhaps have become the most serious competitor for deposits faced by traditionally regulated financial intermediaries. Their growth during 1979 — from about \$10 billion to nearly \$50 billion in assets — has prompted the ABA to form a strike force to lead bankers in countering this new threat.

Until legislative or regulatory changes are made, money market-

There are more than two million money-market-fund shareholders — a 350% increase in just one year.

mutual funds will seem almost unbeatable competition to banks and other intermediaries. As creatures of inflation and of the federal laws and regulations that limit interest rates payable to savers by depository institutions, they represent an additional intermediary in financial markets.

The flight of savers from banks and other depositories has fueled the enormous growth of money-market funds. Assets of the largest money-market fund reached \$9 billion by early 1980. This would place it first in size among savings banks, second among all S&Ls and roughly 19th among all commercial banks.

Although the ABA's strike force will explore every possible option for dealing with money-market mutual funds, reform of Regulation Q remains the primary and most likely avenue for response to this new entry on the financial competitive playing field.

One of the key reasons for money-market funds' growth is Regulation Q. For small savers, the best traditional bank certificates of deposit pay only 7.75% and, of course, do not mature

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

for eight years. The newest type of bank CD is linked to a Treasury bill rate and currently pays in the neighborhood of 10%; however, it must be kept on deposit for 30 months. The most competitive bank CD, "money-market" certificates, mature in six months and pay about 12% at present; the drawback for small savers is that these CDs require a \$10,000 minimum deposit.

Consumers increasingly are setting these facts to what money-market mutual funds are able to offer: a yield of close to 13% as of this writing, with check-writing privileges guaranteeing immediate availability of a customer's funds.

Currently, there are over two million money-market-fund shareholders — a 350% increase in just one year. The reason for this growth is that money-market funds offer the highest interest rate in American history for small savers. Moreover, this is combined with checking services and no penalty for early withdrawal. In addition, these services are offered through a nationwide network operating with little or no regulation or supervision of the type applied to regulated depository institutions.

Bankers have raised serious questions as to the legality of the check-writing features of money-market mutual funds and as to the tone of some of their advertising claims. The ABA has stated that, at a minimum, to the extent that money-market funds offer transactions or checking-type accounts, they should share in the reserve responsibility that's a necessary part of monetary policy. Also, it is being suggested that money-market funds' check-writing powers should be denied them until regulated intermediaries are permitted to offer instruments that pay competitive rates.

These suggestions are based on the fact that the present bright outlook for money-market funds produces a dismal outlook for the future ability of community and regional banks to meet the full banking and credit needs of their markets. The long-term outlook

is for money-market funds to alter the nation's economic topography significantly.

The nearly \$40 billion that flowed into money-market funds last year came from many sources, of course, but a large proportion of it came out of banks, S&Ls, mutual savings banks and credit unions.

Almost 50% of these funds flow into nonbank instruments — commercial paper, for example, accounts for about 38% of money-market mutual fund as-

Bankers have raised serious questions as to the legality of the check-writing features of money-market mutual funds.

sets. Almost 11% of their funds were invested last year in federal obligations. And the approximately 50% of their assets that were re-channeled into the banking system went only to the largest money-center banks. Of the latter, it is reasonable to assume that a large proportion of these funds have been invested elsewhere than in the smaller communities around the nation where the funds originated. That money has been removed from the community and regional financing process, perhaps permanently.

While the search for specialized responses to the new competition from money-market mutual funds continues, the ABA is supporting deregulation of banks, which — at least over the long term — would make banks more nearly competitive with money-market funds. (Even so, reform of Regulation Q must come in tandem with reform of restrictive usury laws, where necessary.)

In their January 28-February 1 meeting, members of the ABA's Banking Leadership Conference moved forward their timetable for Reg Q reform, endorsing the five-year schedule for phasing out existing interest-rate limitations on all time and

(Continued on page 78)

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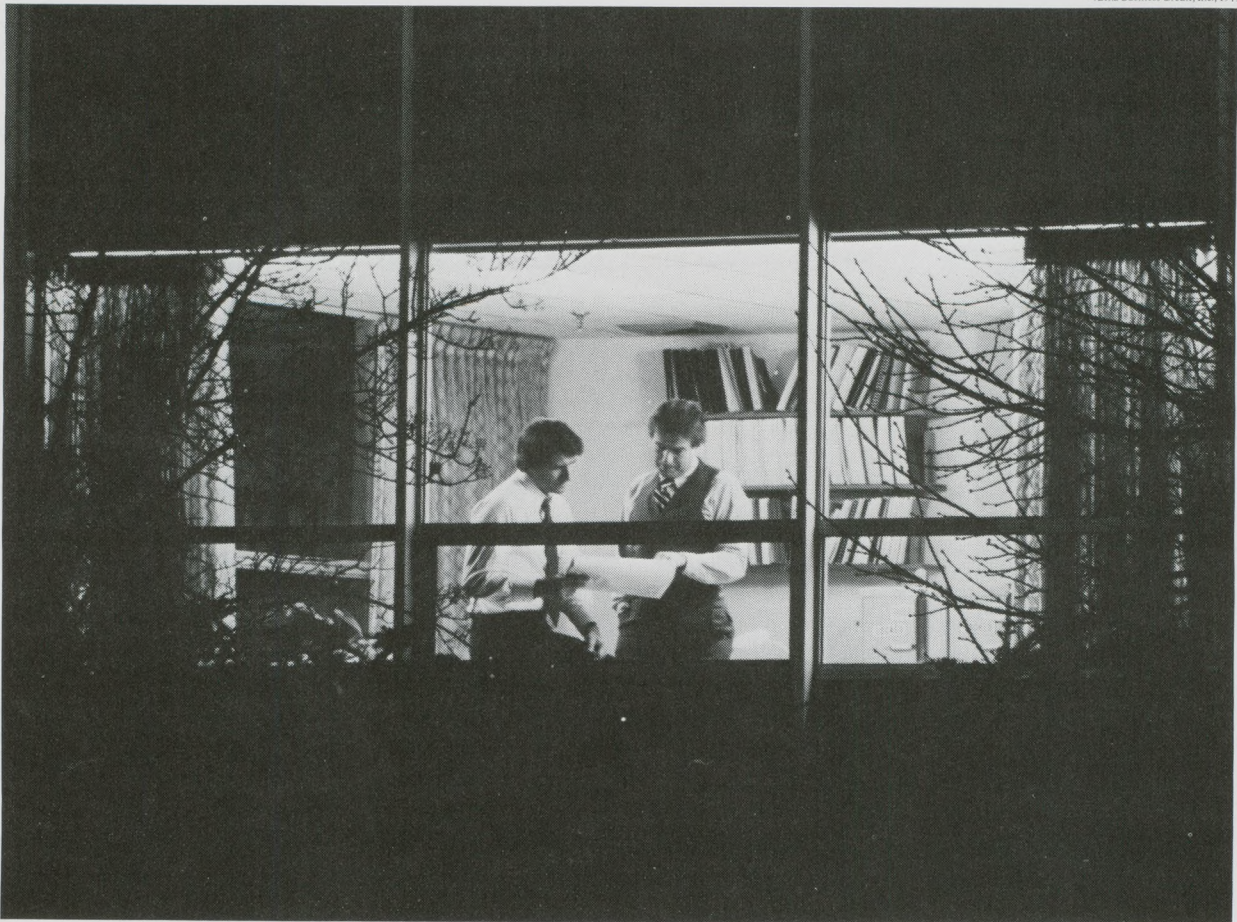
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By **TOM HAGAN**
Tom Hagan & Associates
North Kansas City, Mo.

Salary Expense: Opportunity to Cut Costs

HOW CAN banks improve their "bottom lines" this year? They have no control over interest expense, which is governed by regulations and competition. However, the second-largest expense — salaries — does offer them an opportunity to cut costs.

Of course, there's no perfect solution to salary expense, which is a tedious, thought-provoking subject. Many items related to this expense show up

"One of the most important banking functions is to hire and keep quality personnel."

as other expenses or, worse still, never appear as dollar figures. To name a few, there are help-wanted ads and payments for services of temporary help.

Also seldom shown in the salary-expense column are loss of trained personnel, training entry-level people, continued training of experienced employees. Yet the expense is real and, somewhere, cuts into the bottom line.

Salaries for clerical-level personnel have risen some 25% to 40% in the past year in many banks. Metropolitan banks are more vulnerable than are rural banks because of competitive salaries in other industries. In an effort to control salaries, many banks hire trainees who don't have the potential to advance. This has led to problems in replacing middle-management people lost to normal attrition. Top management is left with a dilemma: 1. Pay more for experienced people it's able to "steal" from a competitor. 2. Place someone with meager qualifications in a position for which he or she is neither qualified nor trained. For obvious reasons, neither solution is satisfactory.

Loss of officer personnel causes some banks to hit the panic button, and rightly so. Good officers are hard to

find and expensive to keep. Their salaries have not gone up, in most areas, as fast as have clerical salaries. Frequently, management fails to keep up with salary trends. It finds it must pay more to replace an officer who left, but this discovery comes too late.

Although there are few reliable sources of salary trends, it's imperative to draw information from several sources, but they must be related to a bank's own area. A specific officer may be more valuable in a rural area than in a metropolitan or suburban area or vice versa.

Salary surveys usually encompass a large geographical area, mixing large, medium, small and extremely small banks in one big figure. Information furnished frequently shows a spread difference of 50% to 100%, making the figure of doubtful value. Quality of personnel involved usually is an "assumed" average person, and no such person exists. Also, what bank wants a person who is "just average"? Top productivity and efficiency should not be expected from an "average" person.

Although rate of pay is important to employees, few persons in our files have shown salary as the primary reason for seeking another position. Most frequently, they feel lost in the shuffle or see no real challenge in their jobs. Some larger banks lose people who believe they have become a number rather than a person. The "grade-

level" system of salary administration has some advantages, but often is responsible for such a feeling.

It would be appropriate to mention here that our firm represents only bankers who have contacted us and look for changes for valid reasons. Our files don't contain anyone obtained in a "search" basis. A recently instituted program of college-campus interviewing and recruiting is the only ex-

"Some larger banks lose people who believe they have become a number rather than a person."

ception.

Bank employees who watch the help-wanted ads usually are unhappy with their current situations and feel ill at ease about seriously discussing their complaints with their superiors. Many times, the working relationship is too close to allow an objective discussion. Rather than trying to work out a satisfactory arrangement, these employees believe it's easier to start looking elsewhere.

After reading about some positions for which they feel qualified, they decide to test the market. At this point, some are lured away with promises of greater income (another reason why management must keep abreast of the market). The cycle is completed when a bank, after advertising, recruits a replacement. Then the training process begins — learning about specific customers, methods, rules, exceptions, etc.

One of the most important banking functions is to hire and keep quality personnel. The reason is simple. A bank's competitors usually offer the same services and same rates. People don't do business with a bank; they do

(Continued on page 82)

Tom Hagan & Associates, which began business in 1970, handles job placements for bank personnel only: entry level and experienced; clerical, mid-management and executive. The firm supplies bonded temporary help for banks.

The firm does not take direct-search assignments and uses only applicant-initiated resumé.

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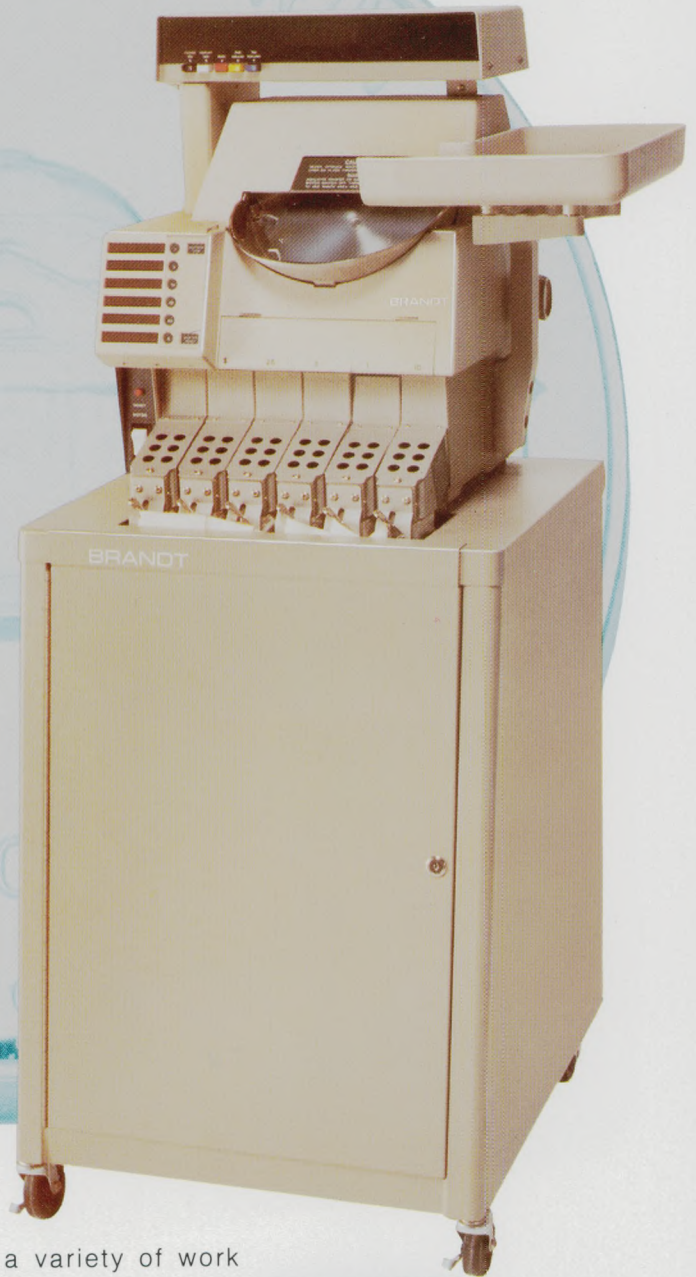
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Check Safekeeping: ABA Pilot Set to Begin

By ROSEMARY McKELVEY
Editor

BANKS returned more than 32 billion canceled checks to their customers in 1978. If they continue to return checks at the present rate, the number will have ballooned to 60 billion annually by 1985! Of course, this means postage, operating and handling costs will be staggering and will have to be passed on to bank customers.

This paper blizzard is the reason for the check-safekeeping (or truncation) pilot program the ABA started putting together about three years ago. Besides the ABA, also involved in this pilot are representatives of 40 different banks.

They have been working under a check safekeeping task force, whose objective has been: to identify legal, marketing, operational, financial, audit and control strategies that would facilitate recommendations leading to a system of non-return of checks, resulting in a system beneficial to consumers and banks.

The pilot program is being carried out under the ABA's operations and automation division, with Gerard F. Milano, associate director of the division, representing the association. The check-safekeeping task force is headed by Joseph P. Coriaci, senior vice president/cashier, Continental Bank, Chicago. The pilot program is under

the direction of Donald R. Hollis, vice president, Chase Manhattan, New York City.

There are two kinds of check-safekeeping programs: 1. *Intra* — when banks install safekeeping or non-return programs in their own institutions just for themselves. 2. *Inter* — when banks hold checks for other banks. The ABA pilot is concentrating on the second.

The pilot program's objective is to test the feasibility of a multiple-institution cooperative environment in which each participant agrees both to

issue paper items for truncation and to truncate items for each of the other participants. The test will include:

- Confirmation of estimated operational and float savings.
- Identification of an effective magnetic-ink-character-recognition (MICR)-line identification method.
- Measurement of customer needs and reactions.
- Refinement of legal agreements among participants.
- Cooperation with the Fed, National Automated Clearinghouse Association (NACHA) and American Na-

What Is Check Truncation?

Here is how check truncation is defined by Gerard F. Milano, associate director, ABA operations/automation division, in the ABA publication, *Check Safekeeping: A Proposal for Inter-Bank Check Truncation* (a summary of presentations introducing the ABA check-safekeeping pilot, 1979):

"There are a couple of ways to talk about truncation, 'single bank' and 'cooperative.' In single-bank truncation, the most common example being automated account-reconciliation service, checks normally are held by the payor bank, and a descriptive statement is sent to the customer. Share-draft truncation programs do some sequential numbering for the consumer. Those two services traditionally are how a single bank offered its safekeeping service. In the cooperative program we're talking about in the ABA pilot, data associated with the check are sent electronically from the bank of deposit to the payor bank. The bank that actually holds the check could be the bank of first deposit or one of the subsequent banks in the check-collection system. Normally, a descriptive account statement would go to the customer. For practical purposes, rather than saying bank of first deposit, we'll refer to the bank that actually holds the checks as 'keeper.'"

tional Standards Institute (ANSI) to identify the most appropriate future course of action.

- Determination of appropriate methods of participation by community banks.

- Development of effective same-day inquiry and reject services for participants.

As of this writing, 43 large banks had signed up for the pilot program, which will test only dividend checks of corporations written for \$300 or less. It was decided to concentrate on dividend checks for control purposes and to have the advantage of wide geographic disbursement throughout the country. They also are common targets for account-reconciliation and check-storage services.

Large banks are in the pilot because they meet these criteria: Each processes an average of 250,000 checks a day. There is high-speed in-house equipment that can handle 2,000 checks a minute. Each is a dividend-disbursing agent that has an account with at least 10,000 shareholders. Automated-reconciliation service is offered corporations.

In addition, participants must belong to the ABA.

Participating Banks

As of this writing, the following banks in the MID-CONTINENT BANKER area had signed up for the ABA's check-safekeeping pilot program:

Chicago — Continental Bank, First National, Harris Bank, Northern Trust.

Dallas — Republic National.

Houston — First City National, Texas Commerce Bank.

Memphis — First Tennessee Bank.

St. Louis — First National, Mercantile Trust.

The ABA is minimizing the number of banks in the pilot to control both its quality and cost. However, as soon as the association has demonstrated a successful operation, it will add other banks.

The pilot's first phase, beginning this month, will not be testing *live* items; rather, sample checks — which have been especially printed — will be run to test the computer systems to see whether they sort out the truncatable items. According to Mr. Coriaci, much

preliminary testing needs to be done before the program goes "live."

This preliminary-testing phase of the pilot has been preceded by a series of meetings attended by participating banks, beginning last July in Washington, D. C., and continuing on a regular basis since then. At the most recent one, in Houston, three decisions were made:

1. To go from a two- to a three-day item-processing cycle. It is thought the extra day is needed because of schedules and procedures followed by the 32 regional automated clearing-house associations around the country.

2. To lower the maximum dollar amount on truncated items from \$2,500 to \$300. Although this will produce a smaller number of dividend checks eligible for safekeeping at banks of first deposit, of more importance is the fact that it lowers financial risks taken by participating banks. A task force subcommittee on retrieval is studying whether to hold a bank that loses an original paid item liable for as much as the lost item's face value. With the original \$2,500 limit, there was concern that payment of such an amount to a paying bank, merely be-

(Continued on page 86)

Benefits, Problems Foreseen With Check Safekeeping

THE ABA's check-safekeeping pilot project (described on page 15) initially will have 43 participating banks, some of which already have safekeeping programs of their own and some of which are merely thinking of adopting such programs.

One of the participants, Continental Bank, Chicago, currently offers check safekeeping (at the drawee bank) as an option to commercial customers using account-reconciliation processing. It is being considered as a feature of certain accounts offered by the retail banking department. In terms of the bank's efforts in the national program, Continental currently is analyzing the systems and operational modifications that will be required to participate.

Benefits the bank expects to get from check safekeeping, according to James R. Pastorello, second vice president, are: 1. Reduced postage expenses. 2. Reduced check sorting and handling. 3. Reduced check-filing time. 4. Elimination of signature paying. 5. Reduced statement-preparation time.

Under a nationwide bank-of-first-deposit truncation system, Mr. Pastorello continues, additional benefits

may be: 1. Reduced sorting and handling for cash-letter preparation. 2. Reduced delivery expense for cash-letter deposits. 3. Reduced cost and handling associated with check capture for posting to DDA. 4. Potential savings in uncollected funds due to missed deposit deadlines or transportation problems.

Problems foreseen by Mr. Pastorello are associated with a customer's reluctance to give up his records, the need to contact a bank for copies, potential delay in receiving copies, potential for records not being found and concern over acceptability of photocopies.

"We feel," says Mr. Pastorello, "that a good retrieval system overcomes most of the objections and that benefits of reduced storage requirements, reduced staff time in handling paid items and retrieving checks and elimination of misfiling and sequential check sorting more than offset these concerns."

Another ABA pilot participant — Texas Commerce Bank, Houston — is in the thinking/planning stage as far as its own check-safekeeping plans are concerned. Senior Vice President Everett C. Gambrell says the bank has

a goal to have sold its first corporate customer on letting it retain (safekeep) his canceled checks. The goal as it relates to the ABA pilot, he adds, is to participate as a phase two bank.

Mr. Gambrell doesn't foresee any front-end benefits to check safekeeping because the costs to make it work are significant. The major benefit is to get the program established so that, in the future, banks will be able to stabilize the number of checks in circulation. This will provide an opportunity, he points out, to flatten the growth curve in check-processing expenses.

Initially, Mr. Gambrell continues, the ABA pilot will not cause customer problems. As the effort expands, he believes there probably will be customer resistance until the public feels comfortable that the system is working satisfactorily. This would be parallel to the ACH or ATM environment, says Mr. Gambrell. Both have been around eight to 10 years, but they just now are beginning to pick up steam and to be accepted by a large base of the population. ●●

Bulk Filing

*Prelude to check truncation
and a way to cut
labor costs*

BULK FILING of checks may be a prelude to truncation or safekeeping, but the primary impetus behind First National Bank of Alton's nearly two-year-old system was labor costs.

"What really pushed us more than anything else was labor costs," says David Haggard, vice president/cashier of the \$94 million-asset bank, which is located in Illinois just across the Mississippi River from St. Louis.

Previously, hand filing of checks written on personal and commercial demand accounts was a four-person operation. "That's a labor-intensive job," he says, adding the goal of FNB's bulk-filing system "is to get down to where people are handling the checks as little as possible."

In the FNB system, the entire day's checking activity is run through the computer, which sorts the checks into eight statement cycles and then posts the debits to each account. All checks from each statement cycle are filed in drawers and marked with the date.

"We've saved a good bit of people time" with bulk filing of personal checks, Mr. Haggard says.

Another savings: wages. It costs the bank \$11,000 to \$12,000 for each filing

clerk, he figured, and one position already has been eliminated. "We know we've saved one and we're going to two," he says. Positions were eliminated by attrition.

Bulk filing also requires less storage space. "We've cut our file space by a third" by eliminating the need for file guides and signature cards.

The hand-filing system, he adds, wasn't always accurate. Sometimes, another account's checks were inserted in the file. With computer-rendered statements — when the cycle is run, the computer sorts the checks by account number — "we have fewer problems with misfiling. It seems to be a lot quicker and more accurate that way."

Bulk filing, however, does have some problems, Mr. Haggard says. One concern was customers who make inquiries between statements. Under the old system, the entire file could be pulled and reviewed. Using on-line

cathode-ray tubes — CRTs (those in customer relations are hooked to a printer), bank personnel can call up the account, which the customer can view. If a question or problem can be answered only by physically handling the check, the CRT lists the posting date and, thus, where the paper will be found.

Items that won't process are another problem. The statement clerk transfers data to a substitute item, which is run through the computer. Originals are returned to statements before mailing, he says.

The computer automatically kicks out NSF and stop-pay items. On stop pay, the computer each day generates a stop-pay list that statement clerks reconcile with items the computer won't process. Stop pay, in fact, is one reason commercial accounts haven't been converted to bulk filing, Mr. Haggard says. "We're looking at it, but we're holding back." One of First National's large commercial accounts writes 5,500 to 6,000 checks a month and also calls in "a lot" of stop-payment orders that would create, in turn, a lot of paperwork for statement clerks under bulk filing.

Mr. Haggard hasn't analyzed bulk filing's contribution to profits. "I'd like to think so. It all figures in there; there's no doubt about that."

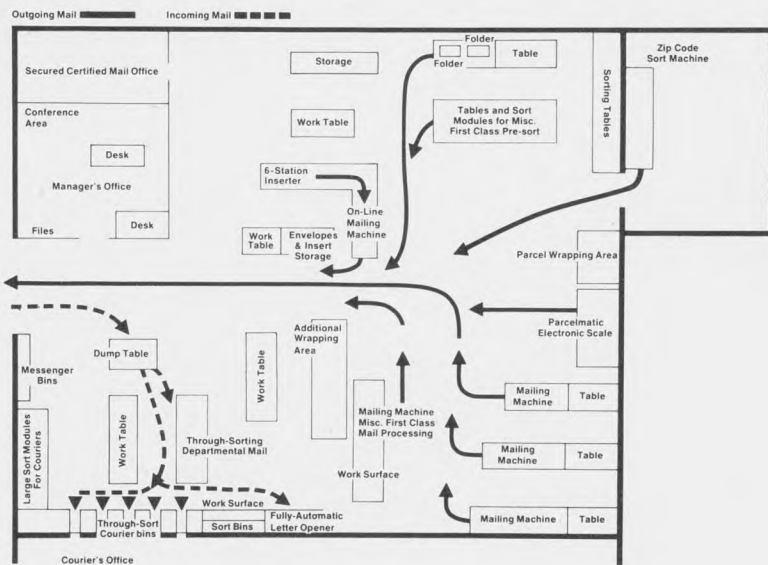
Bulk filing, he says, "would be a step in that direction" toward truncation. "We're not real sure where we're going with truncation." FNB currently is investigating pre-authorized debits. One advantage truncation would have for FNB: The computer wouldn't have to sort each day's activity by statement cycle. ●●

LEFT: At First Nat'l, Alton, Ill., all documents are microfilmed prior to computer processing. At same time, unique number is assigned to each item. This number, which is maintained throughout data processing system, allows for quick retrieval on film as well as providing precise audit trail.

CENTER: Under bulk-filing system at First Nat'l, employee can use on-line cathode-ray tube (CRT) to call up data on account for viewing by customer.

RIGHT: With bulk filing, when question can be answered only by physically handling check, First Nat'l employee — after locating posting date on CRT — knows exactly what file holds check in question.





Citizens Fidelity of Louisville's mail room is organized for smooth work flow. Incoming/outgoing mail functions are separated. Two-way sort cells (open front and back) reduce traffic, speed mail sorting. Work stations have all supplies at hand, allowing continuous operation. Well-defined mail stream (solid lines) prevents bottlenecks.

Cutting Mail-Room Costs

Despite rising postal rates, Citizens Fidelity keeps expenses lower now than in 1975

FIRST, the bad news . . . A 1979 report issued by the Dartnell Institute of Business Administration stated that the cost of an average business letter had risen from \$3.05 in 1970 to \$5.95 in 1979. Postage rates are not the sole culprit responsible for the \$2.54 (40%) increase. Clifford Bennett, manager, Pitney Bowes' Postal Education Center, Cherry Hill, N. J., observes that a large part of the increase in mailing expense comes

from the cost of handling the mail. Mail gathering, sorting, weighing and stamping are areas many businesses may be ignoring, speculates Mr. Bennett. He suggests mail-room management should be a part of a concern's executive planning.

"Mail handling should be taken out of the basement and put into the boardroom. A well-organized mail room can save as much as one-third of the cost of mailing a business letter,"

he says.

Now the Good News . . .

Citizens Fidelity, Louisville, is proof that because postage rates have soared upward by 50%, mailroom operation costs don't have to soar as well. By innovative use of mail-room equipment and money-saving practices learned at a two-day postal education seminar conducted by Pitney Bowes in the bank's region, Citizens



LEFT: Citizens Fidelity uses through-sort bins between mail room and couriers' office (rear r.) to reduce mail-room traffic and eliminate crossing work patterns. **RIGHT:** Forty hours are saved each



month with on-line folding, inserting and meter stamping at Citizens Fidelity.



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Fidelity was able to keep mailroom expenses in 1979 lower than levels in 1975.

Here's how Citizens Fidelity did it (and others can do it, too):

- The bank eliminated human errors that occur when packages are processed. A survey in the Louisville area showed a general error rate of 5-8%, usually involving postage overpayment, probably due to misreading of the postal scales. Citizens Fidelity identified its own error rate to be 3%. Better than the average, yes, but . . . a computerized scale eliminated the guesswork involved in interpolating between weight intervals, and the error rate was reduced to 0%.

Eliminating this 3% error rate will save the bank about \$20,000 a year. And the bank's new digital-read scale also has been found to cut processing time in half, eliminating 10 to 15 hours of weekly overtime spent preparing packages.

- The bank organized its mail room to create smooth workflow. Mail volume has increased by 50% during the past three years at Citizens Fidelity, but it has been necessary to increase mail-room staff by only one person. In part, this was possible due to a workflow pattern that maximized efficiency of workers in the mail room.

- A split-shift is used to schedule work hours for mail-room personnel. Such scheduling is rare, but highly efficient. Mail-room staff begins work at various hours with a small crew arriving as early as 5:30 a.m. so bank mail may be distributed by 8 a.m. Other personnel arrive later. Overtime thus is minimized at the end of the day, and staff is at full strength when the work load is heaviest.

- In 1978, American business saved \$46 million on first-class-postage charges by using presort first-class-mail rates. Two cents per piece of mail may be discounted if the load of mail is over 500 presorted pieces and (1) if 10 or more pieces destined to a common five-digit zip code are sorted, bundled and zip code labeled, or (2) if 50 or more pieces for a common three-digit zip code prefix are sorted, bundled and labeled, and (3) the bank has paid the \$30 annual fee charged to cover administrative costs for the program. Citizens Fidelity claimed its share of those savings by purchasing a zip code sorting machine. Savings of \$35,000 resulted in four months.

- The bank went on line with mail-finishing operations it had previously done off line. In the past, statements were folded on an electric folding machine and then hand carried to an



Citizens Fidelity saves 40 hours monthly with this self-feeding automatic envelope opener.

inserting machine. The operation has been streamlined by marrying a folding machine to a four-station inserter. The new equipment is saving the bank 40 man-hours per month.

- When mail is "in a rush," it can pay to compare express courier rates. Use of the U. S. Postal Service express service may not prove least costly in all cases. Or, priority mail offered by the U. S. Postal Service (applicable when a piece needs fast service and weighs more than 12 ounces) may do the job instead of using an express mail carrier. Computerized postage scales such as the one used at Citizens Fidelity can calculate postage charges for such pieces at the touch of a button according to weight and zone. Air priority mail is targeted for second-day delivery nationwide. At Citizens

Streamline Mail Rooms!



Bank can cut costs, improve productivity and increase the efficiency and accuracy of mail-sorting procedures with this new Mail Sorta equipment, says its manufacturer, Acme Visible Records, Inc., Crozet, Va. According to the firm, Mail Sorta reduces wasted time and operator fatigue common to old-style pigeon-hole sorting because there are no bending, stretching or unnecessary walking. Mail is placed on a common dump table, accessible to all sorting personnel, and then sorted into one of 35 slots of each Mail Sorta console. Mail is transported by conveyer to the proper mail bag or tote box situated at the end of each channel. Mail Sorta handles all flat mail up to 7/8 inches thick.

Fidelity, when a mail initiator is given all the facts, he often is persuaded to use non-express service.

Maintaining address files is another important aspect of mail-room functioning. Reducing return mail means reducing cost. At the Bank of New Orleans, Senior Vice President Stanley J. Nawrocki reports the bank cut down wasteful return mail by 20% simply by making sure returns-to-sender get removed from the mailing sequence before the next mailing time comes around.

Another practice at Bank of New Orleans is enclosure of small advertisements for things like ATMs or Christmas Club in statement mailings. These inserts are known to direct-mail advertisers as "ride-frees." Statements are mailed out as first-class mail. A small portion of the first-class postage may be overpayment by weight. For example, if a statement mailing weighs .67 ounces, postage for the piece will be 15¢. There is enough postage affixed to carry another .33 ounces. Adding a ride-free can be an inexpensive and potent means of advertising in this situation. Attractive colors; clear, meaningful graphics, action lines and concise copy that gets the message across quickly make such pieces most effective.

Direct-mail advertising that qualifies for bulk postal rates may save money independent of other mailings as well. This form of advertising can be a good substitute or backup for advertisements appearing in print or aired on TV or radio. In a relatively low-density market such as potential trust clients or residents of a small community, direct mail can be more cost effective because it has the potential for zeroing in on a target market. If mailing lists have been developed for presort or bulk-rate purposes, it is an easy additional step to use the lists for market targeting and research because the geographical area designated by zip code also may reflect other notable variables, such as income or proximity to a banking facility.

The Moral. Cost-cutting measures may interact with one another to multiply mail-room savings and effectiveness. So, mail pieces at the lowest rate possible consistent with the initiator's needs; set up a mail room that makes maximum use of personnel and assures fast, accurate weighing of mail and correct postage application; plan employee scheduling to reduce overtime; keep mailing lists up to date, and make greater use of first-class, presort and bulk-rate mail with direct-mail advertising. ●●

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Solving Problems In the Drive-Up Area

*Five banks tell how they found solutions
to unusual topography, traffic
congestion, even underground water*

Sloping Site Considered In Drive-Up Design

PROBLEMS caused by topography and heavy traffic were solved by specially designed drive-up systems for two eastern banks and one in Minnesota.

In Teaneck, N. J., Home State, established in 1974, has a drive-up banking situation unlike that of most financial institutions. Its tellers are located eight feet above customers and look down and head on to approaching cars.

This different approach to a drive-up banking operation was made necessary because of the topography of the bank's site: It was impossible to have a drive-up alongside the building, and so Diebold, Inc., Canton, O., suggested a head-on design, which overcame the problem of the building's limited approach.

After deciding to utilize this method, Home State chose four Diebold Visual Auto Teller I captive-carrier units. The tellers view their customers from a triple-width bullet-resistant vision window and have a clear view of the approach area. The bank (assets of more than \$25 million) also is equipped with a Diebold

seven-inch advanced Basic II vault door, after-hour depository, Grade "B" alarm, undercounter equipment and Video Surveillance System III.

In State College, Pa., Central Counties Bank, a \$336-million-asset institution, had a two-lane drive-up installation at its South Hills Office that had reached a point of diminishing returns, primarily because departing traffic was required to enter a busy thoroughfare leading to Harrisburg and Philadelphia. Fortunately, the bank owned land adjacent to the office. Rezoning approval was secured, and the bank, working with Diebold, was able to redesign the drive-up facility in a way that provided two additional customer-service lanes as well as a more convenient way to leave the facility.

As E. L. Preininger Jr., assistant treasurer/manager, South Hills Office, puts it, the results are "banking's equivalent to the grocery-store express checkout line."

Two tellers are in charge of operat-



Northern City Nat'l, Duluth, Minn., solved sloping-topography problem by using overhead-delivery capability of Diebold Visual Auto Teller III remote-banking systems to send transaction materials between drive-up customers and tellers. Customer-service unit in foreground and one next to it were elevated to accommodate trucks and campers.



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When water was discovered three feet below ground level, overhead LeFebure Tel-Air 1000 pneumatic-tube system replaced underground Tel-Air system originally destined for this facility of Northeast Bank, Sanford, Me.

ing the Diebold Counterette drive-up window and the three Diebold Visual Auto Teller IV drive-up banking systems now serving the office. The tellers can accommodate as many as 800 cars on peak business days.

"When the lobby is packed with lunch-hour traffic, says Lloyd B. Jackson, regional vice president, Central Counties Bank, "customers frequently will go outside, hop in their cars and do their banking through the drive-up."

Mr. Preininger also comments, "If the feelings of our customers, tellers and management about our drive-up could be summarized in one word, that word would be 'convenience.'"

Duluth, Minn., is built primarily on the side of a sharply sloping hill that reaches several miles inland from the shores of Lake Superior. Thus, when Northern City National started to think about installing a drive-up facility, the slope factor had to be taken into consideration in its design. Compounding the difficulty was a mantle of solid rock that underlay the site of the proposed facility, which was to be called an "express bank." The rock precluded a remote-banking system in which pneumatic tubes ordinarily travel underground between customer-service units and tellers.

This consideration was among reasons why Northern City National chose Diebold Visual Auto Teller III remote-banking systems for the "express bank." This equipment can accommodate either underground or overhead pneumatic-tube-delivery configurations. In this situation, overhead delivery was the obvious choice.

Results, according to Assistant Vice President Robert M. Hammerstrom, manager of the "express bank," have been spectacular. "We doubt," he explains, "that any installation in the state handles more volume per square foot."

The "express bank" drive-up capability consists of seven drive-up lanes. The first lane is served by a Diebold Counterette equipped with a package receiver for commercial-account depositors' convenience. The remaining six lanes are served by Diebold Visual Auto Teller III systems. Four of these lanes are designated as express lanes, and two of the six have been especially configured to accommodate campers and other recreation vehicles.

The pneumatic tubes travel vertically from customer-service units until reaching the drive-up-facility roof line. Then, they travel horizontally until reaching the teller control tower located above and facing the drive-up banking lanes. There, the tubes ascend from under the floor to counter height at the tellers' work stations.

During normal business hours, the "express bank" handles an average of 900 vehicles, with 1,800 the highest count to date. The facility also has three tellers stations serving walk-up customers, but 65% of the facility's business is handled through the drive-up. • •

'Water' Problem Ends With Overhead Tubes

NORTHEAST BANK, Sanford, Me., faced a drive-up expansion problem shared by many banks. Business at its single drive-up window in the main office was so heavy that downtown traffic jams resulted. The old window was situated only three cars away from Main Street, and sometimes 12 or more cars were lined up.

Something had to be done. That

"something" was a new walk-up/drive-up facility — the Mill Square Branch — which was built only a few hundred yards from the main office.

Designed solely to process quick transactions, such as deposits and withdrawals, the branch opened with a walk-up window, one active drive-up lane — a LeFebure Spartan window to supplement the drive-up window at the main office — and plans for adding a LeFebure underground pneumatic-tube system.

A common enough expansion situation, with a conventional solution. Or so the bank thought, until the time came to implement it.

Hit Water at Three Feet. "Unfortunately, our original plan had to be scrapped," explains Wayne Hartford, treasurer and secretary. "When we started digging to lay the kiosk conduits, we hit water at three feet, because the building sits only 75 feet away from Sanford's mill pond and just three feet above water level. Hitting water so near the surface made underground tubes impossible. Our original order was canceled, but something was still needed and soon, because business volume at the new branch rose quickly above the capacity of existing equipment."

LeFebure's answer was its overhead tube Tel-Air 1000 system. Two such kiosks were installed, with tubes running up and then inside the expanded canopy over the auto lanes. The busy Spartan drive-up window was retained and continued to function during construction. At the same time, the old lobby was incorporated into the former tellers area, and a new 230-square-foot lobby was added, along with an additional walk-up window.

"Although not the reason for installing Tel-Air 1000, we did save \$2,000 over an underground system," adds Mr. Hartford. "Acceptance of the exposed tubes has been good; they actually have become sort of a trademark. Also, because we didn't have to rip up the pavement, there was no interruption of business."

"We're pleased with the functioning of this facility and, judging from how busy we are, apparently our customers like it, too." • •

(Continued on page 26)

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To ease traffic congestion at its old motor bank, Amarillo (Tex.) Nat'l built this spacious new facility about eight blocks from main bank. It is located just off main freeway into downtown. Mosler Trans Vista III windows are featured.



Dallas Nat'l put this motor bank on artery going into downtown and one block from Baylor Medical Complex. Facility, with Mosler Pneu Vista 800 pneumatic-tube teller units, is three blocks from main bank.

Landlocked Banks Freed By 1975 Texas Law

LANDLOCKED downtown banks in Texas are able to erect motor banks away from congested areas around their building and closer to major traffic arteries, thanks to a law that took effect September 1, 1975. That law allows a bank to have one motor-bank facility (not full service)

away from the main bank as long as it's located within 2,000 feet of that bank. These facilities must be attached physically to main buildings. Closed-circuit TV, for example, is considered a physical attachment.

As a result, multi-lane drive-ups are cropping up all over the Lone Star State, particularly in larger cities, where regular traffic is a problem, let alone traffic that builds up around inadequate motor banks adjacent to main bank buildings.

However, this doesn't mean that banks are running out, buying land and putting up facilities anywhere. Instead, much thought and study go into

deciding where to locate such facilities and how big to make them. Also, banks must take into account future growth and plan facilities that can be expanded to meet that growth.

Of course, banks' main objective for installing such facilities is to provide better service than formerly for their customers.

Amarillo National. This statement was echoed by Ronnie D. Henry, senior vice president/cashier, Amarillo National, which opened a 24-lane drive-up plaza late last November at 10th and Taylor, about eight blocks (1,986 feet, to be exact) from the main bank. The motor bank is just off the main freeway that crosses the city and goes into downtown. In fact, the facility is located at the first stop-and-go light off the freeway. The bank previously had a seven-lane drive-up a half block from the bank.

According to Mr. Henry, the new facility provides excellent access and customer convenience. Also, since Amarillo National must compete with suburban banks, its management believed it was necessary to get the freeway location so that it could offer convenience for people coming in from outlying areas. He points out that there are three downtown banks and about five suburban banks.

The previous facility simply was not big enough to serve all the customers who wanted to use it, says Mr. Henry. It was only a half block from the main bank in a congested downtown area; it wouldn't hold more than 20 cars on its lot, and — since on most days, there would be cars at every window — the lot would be full, and cars would be lined up a block and a half down the street. This caused frustration not only among bank customers waiting in line, but among motorists trying to get through the traffic. As a result, the bank was losing a lot of business. The answer: Relocate the facility so that a customer can drive up without stopping traffic and accommodate as many cars as possible on the lot rather than subject the customer to the traffic problems so often associated with downtown motor banking.

With the old facility, customers would become impatient at having to sit in block-and-a-half-long lines and would drive over to the main bank, park on the lot and go into the main lobby. Thus, the old drive-up windows were not adequately servicing the customers or able to provide the proper vehicle for meeting the competition.

Amarillo National evaluated the size of the existing drive-up and traffic buildup and number of customers who

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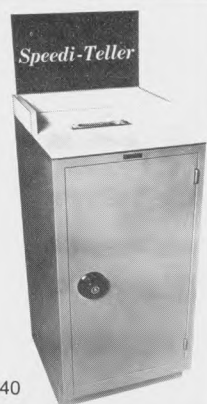
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had to wait at peak times. The bank decided it would need at least a 20-lane facility to meet future needs.

Next, the bank looked at different sites and decided on one bounded on the east and west by two major thoroughfares leading into and out of the city, which is located in the Panhandle section of Texas.

The new facility covers an entire city block, has 21 regular Mosler Trans Vista III windows featuring pneumatic-tube connections and an IBM 3614 drive-up ATM, all on the front or north side of the building. The ATM drive-up complements an NCR ATM that has been in the main lobby about five years and that has been processing close to 400 transactions a day.

So far, a maximum of 563 cars per hour have been handled by the new facility, but it is designed to process up to 700 cars per hour.

In the back are two commercial lanes, which use a new electrically driven bulk-handling unit from LeFebure that will handle up to 50 pounds of change. Mr. Henry says Amarillo National is only the second bank in the country to install these new carriers. He says the bank has not monitored usage of the commercial lanes because most business customers go into the main bank. A few of them, such as convenience stores, do go through the commercial lanes.

Mr. Henry says that because Texas is not a branching state, banks there do need drive-up facilities. He believes that in states allowing branching, it appears that banks would rather build full-service, brick-and-mortar facilities than large motor banks.

Amarillo National is happy with the new facility and believes it is meeting its objective: serving its customers satisfactorily, efficiently and quickly so that they won't become discouraged and take their business elsewhere, particularly to suburban banks.

Fort Worth National. When Fort Worth National's drive-up facility across from its main building became inadequate because it couldn't serve all the customers who wanted to use it and it was in a congested area, the bank undertook an extensive 30-day study of drive-up customers. The purpose was to determine whether they were coming from downtown, from the suburbs, what main portal of entry they were using into downtown and purposes for which they were coming downtown.

The bank worked with Professor Joe Steele of Texas Christian University's School of Business in gathering the necessary data and analyzing the re-

sults. To conduct the survey, students stationed themselves at the approach to the drive-up windows and asked customers four basic questions. Answers to these questions were checked on data cards. After gathering the cards, Fort Worth National, by studying the answers, could determine which services each customer was using, his average balance, what kind of customer he is, how profitable, etc. — in other words, a complete picture of those using the drive-up facility. The cards also showed how many of the motorists were not customers of the bank, but merely cashing checks drawn on the bank.

All this information gave the bank both cross-selling and new-business opportunities. Thus, says David McLelland, vice president/cashier, the survey was not costly.

Mr. McLelland reports that many of the bank's previous studies, based on customers' zip codes, provided incorrect information. The TCU study revealed that a large percentage of customers came from one side of town. This surprised bank officers, but results were rechecked and came out the same.

In addition to the customer survey, Fort Worth National figured out usage of the current windows on a transaction basis, and what they found bore out the bank's belief that a new facility was a necessity.

One thing Fort Worth National found out from the study was that a high percentage of motor-bank users came in off the west freeway system. Thus, by locating a new facility near that thoroughfare, the bank could serve a high percentage of its total drive-up customers. As a result, Fort Worth National chose the site near the highly traveled freeway, but out of the core of downtown. It's six blocks from the main bank.

The bank will keep open six of the 11 Diebold windows at the current site and all five commercial windows.

The new motor bank, set to open around April 1, will have 22 windows, with room to expand to 28. Except for two ATM drive-ups from NCR, all equipment at the new location is Mosler's P.V. 800.

Thus, with 11 windows at the current site and a potential of 28 at the new location, Fort Worth National could have 39 drive-up lanes.

Mr. McLelland says the bank is running all the electrical cable and tubes and everything needed for the extra six lanes so that they could be opened within 30 days when they're needed.

(Continued on page 31)

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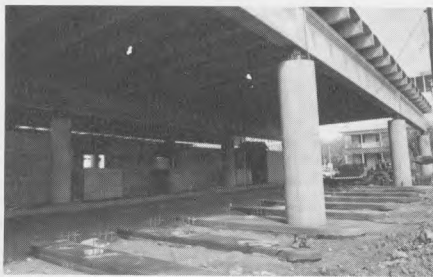
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"SINCE 1958"



Ft. Worth Nat'l's new motor bank is set to open April 1 with Mosler P.V. 800 equipment. There will be 22 windows, with room to expand to 28.

As he explains, if the pneumatic tubes are run through the ground, the heads can be put on easily in a month.

If the new facility draws so many customers that the current facility is used less and less, the bank may find it necessary to close it. If it does, fine, says Mr. McLelland, but if it doesn't, the bank will give people a choice and staff the windows at each location accordingly.

Because there won't be any commercial lanes at the new motor bank, those windows at the old one will remain open. They are adequate since they don't generate as much traffic as do the regular windows. Most commercial-window users are customers who can't be served by pneumatic tubes, Mr. McLelland points out.

The commercial windows are located in the current motor bank's basement. A commercial customer merely drives into the basement, parks head in, gets out and walks to one of the windows. Since they are full service, the customer can transact more banking business than he could normally at a regular motor bank. As an example, he might have several boxes of coins to pick up, might want to pick up return items, pick up his bank statement or transact other business.

This area is adjacent to the bank's security office and is in a protected area — it's secure and out of the weather and has proved to be popular.

The new motor bank features I beams and T beams similar to those used in interstate systems, and they create a massive appearance.

The facility is placed to coincide with traffic flow, because, as Mr. McLelland emphasizes, "You always take advantage of your traffic arteries. That's the key to the whole thing."

Does Mr. McLelland believe the new motor bank will meet the objectives set for it by Fort Worth National — to serve customers better than at the old location and to get them out of the congested downtown area? Mr. McLelland doesn't have the slightest doubt about it.

Dallas National. A decision on where to locate a drive-up facility for Dallas National was preceded by a study of market potential by the bank's president/CEO, Richard M. Cobb. The bank had a motor bank at its main building — on the first level. The bank itself is located on the mezzanine, which is served by escalators and elevators. The drawback to the old facility was that only traffic going out of town passed it.

The bank decided to erect a new drive-up facility three blocks from the bank (about 1,500 feet) and only one block — virtually within walking distance — from the Baylor Medical Complex, described as one of the bank's No. 1 marketplaces. In addition to benefiting from all the traffic generated at the complex, the facility is on an artery going into downtown. Thus, says Executive Vice President Robert R. Taylor, it enjoys excellent traffic positioning.

The new facility has 10 lanes, with eight active at this time, two bulk (commercial) units, one open now, and a Docutel automated teller machine located on a separate drive-up lane for use of vehicle traffic only. The Mosler Pneu Vista 800 pneumatic-tube teller units are designed to ensure customers of fast, efficient service and thus practically eliminate long lines and long waits. Two additional Pneu Vista 800 units and one additional bulk unit can be installed later without interruption of service to customers or inconvenience to employees.

The motor bank, with a beige stucco exterior, emphasizes head-in, face-to-face banking arrangements. The

facility is a self-contained unit, providing 2,600 square feet of office space for tellers' functions.

The Teller 24 drive-up ATM is in an area that is completely lighted, and a lighted night depository also is available. Customers need not leave their cars to use either one.

At year-end, according to Mr. Taylor, more than 92,333 vehicles had moved through the facility (it was opened last May 15). Permanent traffic counters have been installed to help evaluate peak loads. Customer usage of the ATM has been slow due primarily, says Mr. Taylor, to availability of live tellers from 7 a.m.-6 p.m. Monday through Friday.

The old facility at the main bank was closed, and the space will be converted into offices. ●●

Three Directors Elected At First of Fort Worth

FORT WORTH — First National has named Barry L. Searer manager of employee benefits marketing in the corporate and professional services division of the bank's investment management group. Mr. Searer goes to the bank from Mercantile Trust, St. Louis.

Also, Dennis A. Dillard, executive vice president of Dillard Department Stores; R. Reginald Martin, vice chairman, Dunlap Co., Lubbock, and B. F. Phillips Jr., rancher, were elected directors.

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HOW TO ACHIEVE A SUCCESSFUL ATM PROGRAM

... Costs, Objectives, Benefits Must Be Studied Before

By J. B. Bowers and George Drakey

J. B. BOWERS is a manager in the St. Louis office of Peat, Marwick, Mitchell & Co. His experience includes data processing and electronic funds transfer. GEORGE DRAKEY is a principal in the management consulting department of Peat, Marwick, Mitchell's St. Louis office. Since joining that firm, he has worked on projects dealing with financial institutions.

ACCORDING to a national survey¹ conducted by the FDIC, commercial banks had 1,476 automated teller machines (ATMs) installed in the year 1974. By 1979, the number of bank-installed ATMs had increased to 6,215 — and 4,127 more were on order. At that rate of increase, the number of bank-installed ATMs will exceed 40,000 in the mid-1980s.

If your bank hasn't already contemplated an ATM service, it seems likely it will have to do so in the near future. If your bank already has an ATM service, it is probable that considerable debate ebbs and flows regarding the sensibility of the decision to offer the service. In either case, we believe the few rules discussed in this article may assist in coming to grips with this important new banking service and in determining how it may, or

should, fit into your bank's total range of services.

Know Your Objectives. Defining "success" may be the most important aspect of any ATM service. More than one, in our experience, has faltered because management had not set clear, measurable goals (benefits) against which ATM success could be gauged. In those circumstances, negative aspects (usually cost) are all that is left to measure — and wrongly so, in our opinion.

There are legitimate benefits to be derived from an ATM program. We believe among these benefits are to:

- Gain or protect market share.
- Slow, or arrest, rising costs of manned teller stations.
- Complement a broader corporate strategy (and services) aimed at the retail customer market.
- Increase service-charge revenue.
- Reduce, or avoid, long-term commitments to full-service branches or facilities.

The significance of adopting one or more of these objectives for an ATM program is that: (a) the definition of "success" becomes more tangible; (b) the manner in which cost data are viewed will change; and (c) the ATM service will become a tool of success rather than of failure. For example, if to protect market share were to be an objective of an ATM program (and it frequently is) it follows that:



Barbara Brake, a.v.p./public relations director, and James W. Smith, e.v.p., First American Nat'l, Nashville, use one of bank's Anytime Tellers. Bank's ATM system is said to be one of most successful in country.

- Success can, to a large extent, be measured on whether the bank, in fact, does continue to retain its historical share of the retail deposit (and possibly loan) market.
- The service must be offered on a competitive basis with other institutions vis-a-vis cost, features and convenience.
- Cost of the program initially may be secondary to other considerations.

Other objectives will similarly affect the definition of a successful ATM program and related marketing and measurement strategies.

Know Your Costs. ATM programs are expensive. Particularly during early, start-up phases. And there are important hidden costs. Considerably less than 50% of ATM costs, in our

(Continued on page 80)

How do banks justify costs of installing ATMs? There's more to it than looking at just dollars and cents, say these 13 banks.



This is one of 27 Diebold ATMs in use at banks belonging to St. Louis-based Mercantile Bancorp.

Service Is Offered

ATMs Are Viewed As Marketing Tool

WHAT CONSTITUTES an ATM "success" story? While some financial institutions are still pondering which measuring stick to use, others are happily reaping the rewards of what is regarded as a sound business decision.

Such is the case with St. Louis' Mercantile Trust. The \$4.3-billion holding company, Mercantile Bancorp., of which Mercantile is the lead bank, went about getting into the ATM business in the same thoughtful way most marketing decisions are made. First, identify your target market, then clearly define your objectives, then look for the best vehicle or tool to meet these objectives.

Mercantile's senior vice president of marketing for retail banking, Charles Elfrank, believes this clearheaded look at what you can expect your ATM program to yield lends an accountability factor that is as important as a cost-justification study.

"We haven't had time to do a cost-justification survey of our 27 machines," says Mr. Elfrank, "yet I know that we are opening new accounts for people because of our Fingertip Banking machines. People are asking before they open the account if they will have access to the ATMs. And these are prime accounts

in affluent suburbs, accounts in which we are observing heavy activity."

Mr. Elfrank says the bank saw the Fingertip Banking network as a marketing tool and a method of cost displacement, and it has been successful in meeting these objectives in its five years.

Transaction volumes are consistently high with 2½ million transactions racked up. One machine alone across from St. Louis University in mid-town was recording 4,000 transactions a week, justifying installation of a second machine alongside.

This ATM solved a lobby clog for the bank, again justifying its existence from a cost-displacement viewpoint.

The Fingertip Banking ATMs are Diebold TABS 600 on-line, and the bank believes the TABS are easy to use, which has helped customers to be comfortable in operating them.

Four of the TABS units are in Kansas City, four in St. Louis itself, and the rest are scattered throughout the state at the 29 banks in the holding company. ••

Long-Range Benefits Behind ATM Network

A DOLLARS-AND-CENTS JUSTIFICATION was not the No. 1 consideration of Ouachita National, Monroe, La., for pioneering an on-line automated-teller-machine (ATM) network in 1976, linking that bank with 11 other mostly smaller, independently owned correspondent banks. The system is said to be the first to provide a number of towns with on-line benefits through a single computer linkage.

The network is supported by an IBM System 370 Model 138 at its headquarters in Monroe. It is named "Liberty" and consists of 36 "Libby" machines (IBM 3614 consumer-transaction facilities) — five of them ONB's own at locations in Monroe and West Monroe and others at correspondent banks in an eight-parish (county) area. The network includes Rapides Bank, Alexandria, and its correspondent banks, and First National, Shreveport, and its correspondents, thus creating a system of 36 machines by means of which Libby card holders over a wide area of northern and central Louisiana may use ATMs to withdraw up to \$200 in cash at a time, regardless of their bank affiliations.

"We think in terms of long-range benefits in an age when living patterns are changing rapidly, and operating



W. E. Hawkins, pres., Tensas State, Newellton, La., stands at Libby terminal in front of his bank. IBM ATM is part of network started by Ouachita Nat'l, Monroe, La., in 1976.

costs are sky-high," says Rodney M. Johnson Jr., ONB senior vice president. "We are convinced that we have a system that can be conveniently built on to meet future needs.

"We aren't trying to gauge success in terms of cost versus increased business at this point. But we feel strongly that the system is justified in terms of enabling us to protect and expand our customer base without spending a lot of money on brick and mortar for branches. We also think it's justified in terms of better customer service and business image. In smaller towns, in fact, the lights around Libby machines sometimes are the only ones glowing in the late evening, and this makes a good impression on the residents."

This approach to cost justification was supported by R. L. Vanderpool Jr., president of Ouachita National. He says banks must look beyond today for the payoff because "We and other banks will have to be selective when it comes to building branches because of the ever-escalating cost of building, public demand for more convenience and longer business hours and high cost of personnel necessary to provide extended services in the traditional branch office."

In establishing the Liberty ATM network, continues Mr. Vanderpool, his bank was betting on the future. "We could afford," he points out, "to establish the system because our profits were consistent. We considered it necessary even though there will not be an immediate payoff in dollars. After all, trust departments generally are not profitable for a good many years from their beginning; however, they're necessary as a banking service,

and we have to be able to afford them. It's the same with ATMs. We could afford them and, based on our projections for the future, we needed them."

The Liberty network has an unusual feature, according to an IBM spokesman. The machines are programmed to accept a customer's Liberty card to make withdrawals on another card holder's account — but it's legal. A teenager at home or a son or daughter at college, for example, may be issued a personal Liberty card with a number different from that of his parents' cards. The card then is encoded to enable the authorized holder to make withdrawals on a parent's account with limits agreed on and programmed.

Libby machines also are programmed to allow a customer, using a machine operated by his own bank, to check balances in savings and checking accounts, withdraw money, transfer funds from savings to checking and make deposits to savings and checking. A Liberty card and personal identification number (PIN) are all that are needed to conduct a transaction. If a Liberty card holder is using a machine operated by a bank other than his own in another parish, all he may do is withdraw cash from his checking account. State banking regulations stipulate that other business cannot be transacted across parish boundary lines.

With types of business restricted in this way, a bank's deposits are its own. Availability of cash from other banks through Libby ATMs, on the other hand, helps increase the value of each participating bank's service to its depositors, IBM points out.

Another fervent supporter of the system is Bernard L. Waite, vice president, Richland State, Rayville. By installing the ATM, he says, his bank brought city services to his small country town. He says Libby is well worth the cost of installation. "As the area's oldest and largest bank," he explains, "we felt we had to lead the way in modernizing services, and we decided in the beginning that Libby was the right way to go. Libby has been a shot in the arm for us, and it's bringing us new business. It carries its own weight."

A similar experience was described by W. E. Hawkins, president, Tensas State, Newellton. He says Libby has stimulated new business and brought big-bank facilities to a rural area. In fact, use of Libby machines has worked out so well that the bank no longer plans on building a branch elsewhere in the parish. ●●

Service Main Factor For Offering ATMs

THREE YEARS AGO, Peoples Bank, Cedar Rapids, Ia., installed its first ATM — a LeFebure ACT-724 — at its main office. Since then, two additional machines have been acquired: one for the bank's free-standing East Side Branch, the other for its full-service branch in the city's major shopping center, Westdale Mall.

"We put in the first ATM," comments James L. West, vice president/operations, "when it was still a brand-new idea in this marketplace, because we are a service-oriented bank and we felt we wanted to offer this service to our customers. Cost justification was not a factor.

"Our first consideration was to select the best hardware for our operation. We looked around, and the LeFebure



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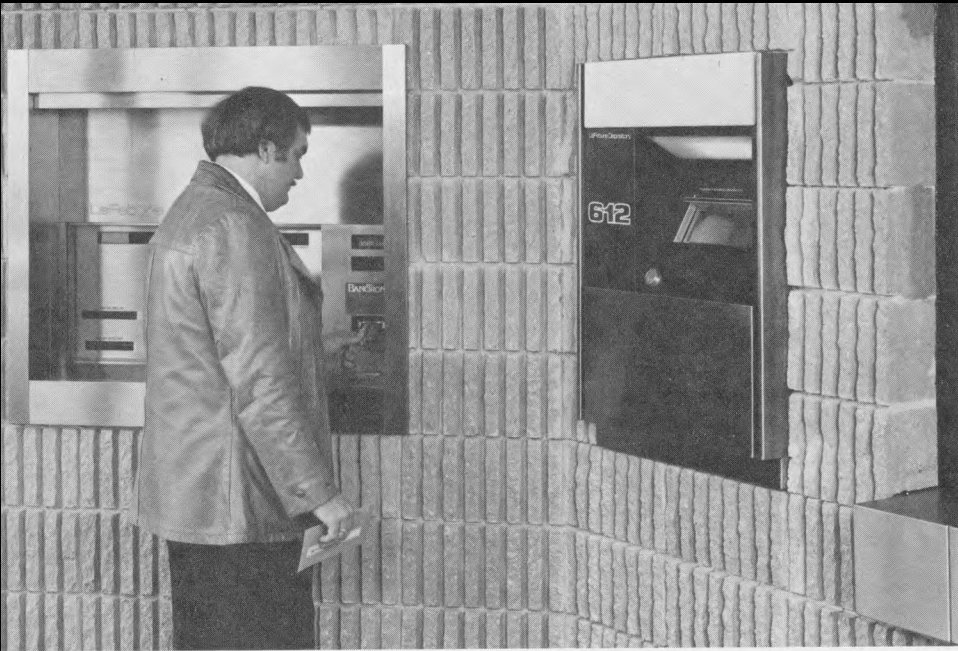
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Service to customers, not cost justification, was main reason for Peoples Bank, Cedar Rapids, Ia., to install Lefebure ATMs.

ATM combined all the features we liked. That, coupled with an attractive lease arrangement, put us in business."

The second ACT-724 also is leased. The third, installed just four months ago in the Westdale Mall Branch, was purchased.

"This location definitely justified our investment in this machine," continues Mr. West. "It is in a heavy-usage area; we are the only bank in the mall — and there are no other banking machines located here.

"Whether we are recovering actual costs right now is hard to say. This installation is too new. I'd guess that we are at a break-even point. Aside from that, though, the investment definitely is justified. ATMs are a banking service people look for and expect. They like the convenience of 24-hour banking and, frankly, we would lose accounts now if we didn't offer it."

In the future, Mr. West predicts, this investment *will* be a profit maker. As usage increases and heavy initial equipment costs are amortized, ATM transactions will be less costly for the bank to process than conventional ones.

"Meanwhile," Mr. West emphasizes, "you might compare ATMs to safe deposit boxes. They are intangibly justified. We don't make money on them or lose money. To be a full-service bank, we feel we need to offer this service to our customers." ● ●

ATM Network Serves Suburban Customers

IT'S DIFFICULT to set a dollar figure in cost-justifying installation of automated teller machines, says Bernard O. Tonquest, vice president/marketing officer, Fourth National, Tulsa. Thinking of more than dollars and cents, the bank in 1977 decided to establish an ATM system in recogni-

tion of the move that banks were preparing to make in the electronic funds transfer area.

Being a downtown bank, Fourth National saw a need to be able to respond to the growing demand for more convenient banking facilities for its customers located in outlying areas. Suburban banks already were responding to that need. To cut down on the potential attrition that faced the bank in this desire for more convenient banking arrangements, says Mr. Tonquest, management embarked on a program to establish initially a network of six ATMs strategically located throughout the bank's principal market area.

"In site selection," continues Mr. Tonquest, "we looked at a number of variables and generally concluded that shopping centers and/or shopping centers with grocery stores provided us with the square footage and customer concentration to establish a workable location. We wanted traffic flow, but not so much traffic that it dissuaded people from using the facility. We looked primarily at census tracts that not only served our present base, but also had growth potential. We wanted sites that were attractive, but that were not so expensive that the cost of leasing ground space would negate the attractiveness of that site for other reasons."

To house its ATMs, Fourth National chose free-standing buildings from Cawthon Building Systems, DeSoto, Tex., because of their high visibility to traffic, their openness for security reasons and their attractiveness to potential customers.

According to Mr. Tonquest, as the bank expected, the bank's Anytime Teller ATM network has become an integral part of banking operations. It's just an additional step in Fourth Na-

Owl ATM Network Goes Fancy



Central Trust of Cincinnati's Owl Network now has a spokesman dressed like "a man about town." The ATM spokesman, dressed in evening clothes complete with top hat and cane, is shown with Hubert G. Hicks and J. Clay Stinnett, v.p.s. Mr. Hicks has charge of Central Trust's branch administration division, and Mr. Stinnett heads the consumer finance and electronic banking divisions. The new Owl environment, recently installed at the Springdale Office, was introduced last fall in conjunction with a total marketing program for the Owl and soon will be standardized at all Central Trust's ATM and check-approval stations.

Get to know your Commerce banker.



Michael Brixey of our Correspondent Department worked as an FDIC Senior Bank Examiner before joining the Commerce system in 1977. Michael relaxes with golf, fishing, hunting and archery. He knows all phases of banking—loans, operations and investments. When it comes to correspondent banking, Michael Brixey can do the most for you.



Frampton Rowland joined Commerce in 1963 after studying at Indiana University, Oklahoma and K-State, and stints with the U.S. Army Medical Corps and a large finance company. Now he's an experienced Calling Officer for our Correspondent Department. Whatever your needs, Frampton Rowland can help.



H.C. Bauman went to William Jewell College. Before joining Commerce in 1975, he was chief executive officer of a Kansas City area bank. Today, he's Manager of our Kansas and Oklahoma Groups. This former Air Force captain enjoys racquetball and tennis, as well as helping you with all your correspondent requirements. Look for him soon.

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This free-standing building is example of structures Fourth of Tulsa erected to house its ATM network. They are located in shopping centers. Buildings were supplied by Cawthon Building Systems, DeSoto, Tex.

tional's attempt to make banking more convenient than formerly for its customers. The network supplements earlier convenience moves by the bank, including: postage-paid mailing, after-hour depositories, drive-up banking, extended lobby hours and lock boxes.

"The commitment made to automated banking," concludes Mr. Tonquest, "continues to benefit the bank. Both deposit activities and total transactions through the facilities have exceeded our expectations. Initial figures indicate that the investment we have made has been well justified. We continue to gain new customers, as evidenced by their responses on our new-accounts sheets, while attrition to other banks has been curtailed significantly." ••

ATM Users Are Offered Convenience, Privacy

BANKS that have installed automatic teller machines (ATMs) cannot cost-justify the step solely on the basis of the resulting elimination of paper transactions. That aspect of electronic funds transfer is important, but it is only one consideration.

Perhaps of equal importance is enhancement of customer service. As the banks advertise, their patrons can do business with them 24 hours a day, seven days a week. This is an intangible, essentially, but it is being translated into concrete dollar savings.

At Merchants National, Cedar Rapids, Ia., for example, success with a

full-size ATM (an NCR 770) in the lobby of the motor bank across the street from the main office prompted an experiment.

One free-standing NCR 1770 was installed in the lobby of the main office and another at the end of the five teller windows in the motor bank.

Somewhat to the surprise of bank officials, customers began queueing up to use the two new ATMs even when conventional tellers windows were open. Many users merely wanted to inquire about their balances. But a substantial number, disproving skeptics' contentions about "impersonal" machines, liked the total privacy ATMs afford.

This conclusion is not conjecture. It was derived from customer response to inquiries. Acting on those findings, bank officials removed the five motor bank tellers windows and replaced them with two more ATMs for a total of four, including the original 770.

The next step, being implemented even as this is going to press, is conversion of the 1770 ATMs to the new NCR model, 1780s, which have their own full-security vaults, like the older 770s, but feature the smaller customer side of the 1770s.

"This will permit us to keep the motor bank open 24 hours a day," reports Harold E. Loerch, vice president in charge of operations research and development.

"And from the customer viewpoint, we've found that the newer ATMs are 35% faster to operate than the older 770s."

Mr. Loerch says the three older-model 1770 ATMs will be put in the main bank's lobby, where their lack of full-security vaults will present no problems, yet still permit customers to

bypass conventional tellers windows, either to save time or to preserve privacy of transactions.

ATMs, as Merchants National's experience documents, cut down on labor costs. But they also can break the costly brick-and-mortar cycle associated with opening new branches or offices. In this respect, they can take banking to customers, eliminating the need for people to visit a formal office for day-to-day financial transactions.

In Milwaukee, for example, First-Bank Midland has an NCR 770, one of the full-sized "iron-clads" with self-contained vault, at the County Courthouse. Many other banks around the country have taken similar steps. ATMs at airports are almost commonplace.

But that would seem to be only the beginning. The smaller and far less expensive free-standing ATMs can be installed virtually anywhere where there is a modicum of conventional security.

One of the leaders in this respect is Peoples Bank, Waterloo, Ia. In March, 1979, according to NCR, it became the first financial institution in the nation to put a free-standing ATM in a supermarket. That proved so successful that a second such ATM is being installed in another supermarket this spring.

While the model being used, the NCR 1770, doesn't have a full-size vault, as does the NCR 1780, Verne Foster, a Peoples vice president, says the ATM probably is more secure than cash drawers of electronic sales terminals in the checkout lanes.

The ATMs, at least, can be breached only with hammer, chisel and time. They are impervious to threats from bandits armed with pistols and sawed-off shotguns.

Like store safes, ATMs can be serviced during the day by armored-car personnel. At night, again like store safes, they can be protected with sophisticated alarm systems of their

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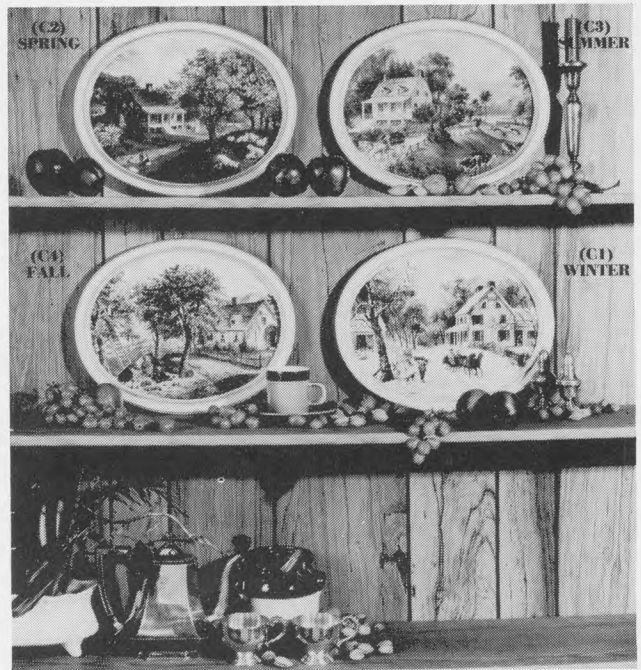
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own that will go off even if those of the store have been silenced.

What, however, about transaction volume? Well, in the motor lobby of Merchants in Waterloo, ATMs account for 100%. There are no bank employees involved at all.

At other sites, the volume is considerably lower, of course. But it is not uncommon to find electronic fund transfers accounting for 12% and more of bank debits and credits.

Is that significant? Very much so if you consider that usage is growing rapidly each month and that every electronic transaction eliminates the spiraling cost of doing business with paper and people on payrolls.

The attitude of many bankers who have successfully implemented ATMs was summed up by Mr. Loerch at Merchants National when he says:

"One man told us he uses an ATM only once a month to make sure his electronic social security deposit has been made. The point, however, is that he, like many other card users, likes the convenience — and the privacy — of electronic banking." ●●

Customer Convenience Main Reason for ATMs

CAN a bank legitimately add in such intangibles as customer convenience, loyalty or appreciation when it cost justifies a project?

Quietly, but emphatically, First National, Sioux Falls, S. D., is saying "Yes" to that proposition. For rather than relying simply on measurable cost-accounting parameters to back up its actions, the bank is moving full speed ahead with a project it knows is working to make banking more convenient for its customers.

That project is an expansion of its ATM network via a sequenced addition of remote-transaction facilities, or RTFs. In the past year alone, the bank added three new RTFs within a five-mile radius of its main office. Another will be going up this spring; still another will follow in the near future.

RTFs are small structures electronically staffed for 24-hour banking service. They are free standing, fully enclosed and can offer the banking customer after-hours depository as well as ATM services in walk-in or drive-in models. Formerly marketed by Diebold Contract Services, Canton, O., the RTFs — along with mini-



This remote-transaction facility of First Nat'l, Sioux Falls, S. D., was installed by BBC Manufactured Buildings, Inc., St. Louis.

branches and larger expandable multi-section financial buildings — now are being designed and built by BBC Manufactured Buildings Inc., an affiliate of Bank Building Corp., St. Louis, which acquired the Diebold unit last year.

For First National, "customer convenience" and a commitment to "participate more fully in retail banking" were the deciding factors in its strong move into ATMs and RTFs, according to William S. Baker, president of the bank. "The cost factor was important to us, of course," comments Mr. Baker, "because we're talking about considerably less to put up a remote-transaction facility than a conventional building. Plus, with the RTFs we could move quickly into strategic locations throughout our city."

The bank's officials candidly acknowledge that their expansion project will not immediately cost-justify the investment in each fully equipped and landscaped RTF. "A network of remote, automated teller services is a long-term investment management feels can't be paid back in a short time," says Marge Brady, the bank's assistant vice president. "But there are compensations. For example, if we were to open on Saturdays, like our competition, we would have considerable overhead costs. We felt that the RTFs were a new service that would provide convenient banking to our customers — this was our primary goal."

Adds K. Pat Marso, vice president/marketing for the bank, "When you have an RTF building, you know the exact cost of everything. You know the cost of the machine; you know the cost of the building; you know the cost of the land preparation. With the normal teller transaction, it's difficult to tell which portion of the 'bricks and mortar' should be assigned to that transaction."

The point is, of course, that First National feels its move into the as yet "uncharted" realm of ATM services in remote facilities is one that pays off in the day-to-day intangible — the customer's convenience and goodwill. ●●

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With New Data-Base Management System:

Bank Slashes Time Needed To Eliminate Duplication Of Customer Records



John H. Dorland, v.p./operations/data services, Commerce Union, Nashville: "... The operations area of a bank is its key to success in the future. . . . Our customer services will be revolving around our data base, and, more importantly, our CIF. As a result, we will have the flexibility and capability to look beyond some of the traditional ways of doing business to attract and retain a much more sophisticated customer at a profitable return."



E. Scott Lahti, v.p./data services: "We run BANKMATCH at least every quarter to see what shape our CIF is in, duplication wise, and plan to run it at least every six months. . . . If you don't, you can expect to see a gradual duplication rate of 2%, 3% or 4% creep in, and this is unacceptable."



Richard A. Hamilton, v.p./systems support: "If you use a bad (data-base) product and make a bad match, you are not going to catch the errors and you will never recover. Not only are you going to be out of money, you will be out of customers."

NASHVILLE'S Commerce Union Bank (lead bank of Tennessee Valley Bancorp) is in the final stages of completing a massive conversion of the bank's applications systems. At the heart of this conversion is a new data-base management system, from which all other systems will be controlled.

CU's data base for its QUICKSILVERATM program, one of the first results of this work, was brought up in only three months. All these efforts were achievable, in part, because of a unique software system from Pittsburgh's Innovative Systems, Inc. (ISI), called BANKMATCH. In the ATM project alone, BANKMATCH reduced the time needed to identify duplicate name/address records from 12 to two man years.

John H. Dorland, CU's executive vice president, operations/data services, recalls, "At the beginning of our analysis, we looked at what we had and what we wanted. We were looking at types of applications systems we wanted and types of services we could provide our customers, coupled with the processing needs of all the banks of our holding company and also correspondent banks. We wanted to have the flexibility to adapt to a changing environment in the banking scene. Everything would revolve around our data-base management system, and everyone had to have input into its design. We want everyone to utilize it, marketing, loan development people, branches, affiliates and our customers through our ATM program.

"We had a CIF, but it was over 12 years old, had a fair amount of duplication and could not really lend itself to what we had in mind. We were in the process of converting multiple applications and adding new applications. For instance, we were going into a new checking-account system, new installment loan system, savings system, certificates of deposit and a sophisticated ATM system. We also wanted the flexibility to adapt to new market

demands, such as descriptive statements, NOW accounts and variable-rate mortgages. At the core of all of this was the creation of our data-base management system, our CIF. And a great part of the work was done on this system during creation of our QUICKSILVER ATM project."

Built in three months. Commerce Union used the Innovative Systems BANKMATCH system to identify and eliminate duplicate customer records from seven applications files. After evaluating BANKMATCH, the bank chose to license it and now uses it to eliminate duplicates from its entire 850,000-customer CIF. Mr. Dorland tells why this system initially was chosen for the ATM project, versus an in-house solution or an alternative software package.

"The problem was time — a few months. We had an overwhelming challenge of having to incorporate multiple applications into a new data base. We had to get it right the first time, because the nature of our ATM project meant combining all of a customer's accounts into a single-account relationship and giving him access to them. To minimize our vulnerability, the right accounts had to be there. I can tell you we could not have done it with in-house software or with manual labor."

E. Scott Lahti, vice president/data services, comments ". . . As we were looking at putting our ATM system on line, we realized we had a huge duplicate elimination problem. We estimated the amount of manual review necessary to do the job, and it came out to about 12 man years of labor. Because of the time factor, we took a hard look at the BANKMATCH name-and-address duplicate-identification package. What this system does basically is to match customer records, identifying those that do or do not need manual inspection. This system cuts manual review time down by 70-80%."

Mr. Dorland adds, "We just didn't
(Continued on page 55)



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The Identity Crisis:

Who's Who at the Tellers Window

EVEN TODAY, it just might happen that Jill Jones, teller, knows for sure that G. Paul Riley is G. Paul Riley and not Leo Swifty, forger. But generally speaking, banks must function along the outer rim of a maelstrom created by the identity crisis. Just who's who out there in the lobby? Signature-verification systems can serve as the blue book.

Many considerations figure into the equation that determines how best to equip a bank against the crisis. Nobody can afford to be defrauded, but some banks are stringently limited in the amount of money they can justify putting into signature-verification equipment. Logistics is a big factor. There are banks where the maintenance of signature cards in files behind the working tellers is the most cost-efficient method of signature verifica-

tion. But some banks may be losing money with this system as tellers crisscross with one another and wait for a turn at the files. Future growth is another factor that must be included in the ciphering.

Ted Rumpf, operations vice president, Boatmen's National, St. Louis, commented on the Diebold CCTV (closed-circuit television) and file-card system the bank currently uses for signature verification:

"The present system is uncomplicated, efficient and without problems. Our Diebold system is quite adequate."

In Missouri, where branch banking currently is forbidden by law, Mr. Rumpf is well pleased with Boatmen's method of handling signature verification.

Giving thought to the possibility of

future approval of branch banking in Missouri, he adds, "I would envision that if problems develop wherein centralization is needed for information due to, say, the presence of many branch banks, and if a bank has the computer capacity to handle it, a turnover to computerized signature verification might be in order."

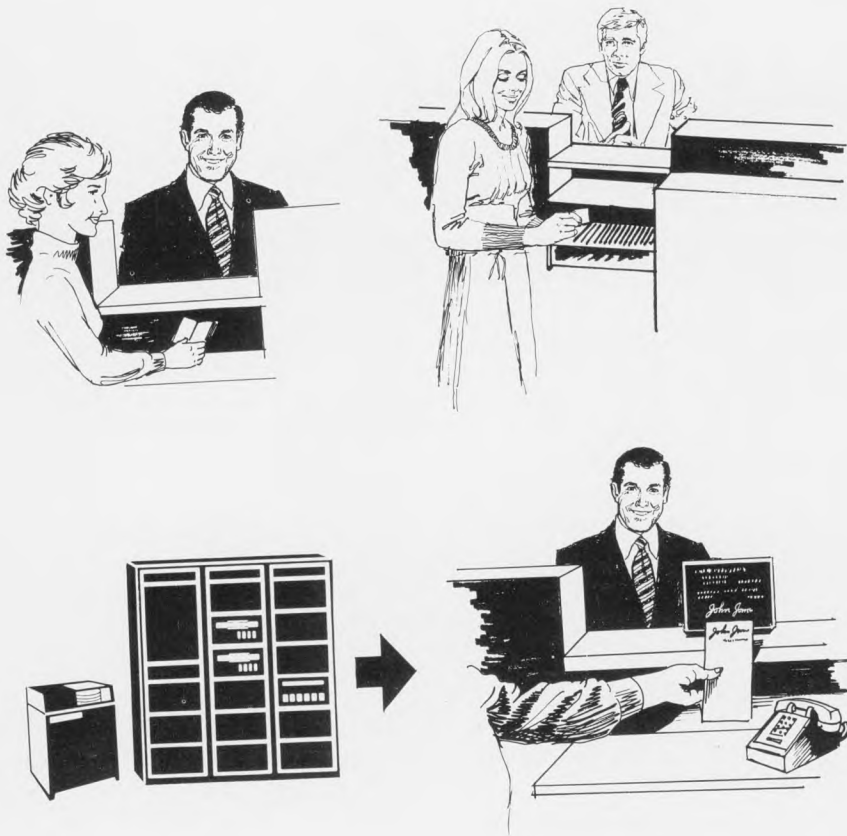
Though branch banking in the Missouri example is only a possibility for the future, it might be cost-efficient to centrally locate signature verification at HC headquarters, where a corporation's member banks can all have access to it. Earl Manning, acting Missouri finance commissioner, states there is no statute against such sharing of signature-verification equipment.

Each bank faces the crisis with its own set of circumstances. Various kinds of signature-verification equipment give various alternative solutions to the same problem.

Let Us Give You an Instance:

Stephen M. Logsdon, marketing manager, ID system products, Polaroid Corp., Cambridge, Mass., says the firm has a system that permits issue of an identification card that includes the customer's signature, account number and photograph. The system is in use in over 500 financial institutions across the country, "each of which has found the Polaroid Portrait Card program not only can reduce fraud, but also can provide a method to increase account activity." Identification cards can be made with the speed with which Polaroid has become synonymous, up to 100 ID cards per hour. Composite cards can be punch coded for use in data collection. Various features enhance the security of

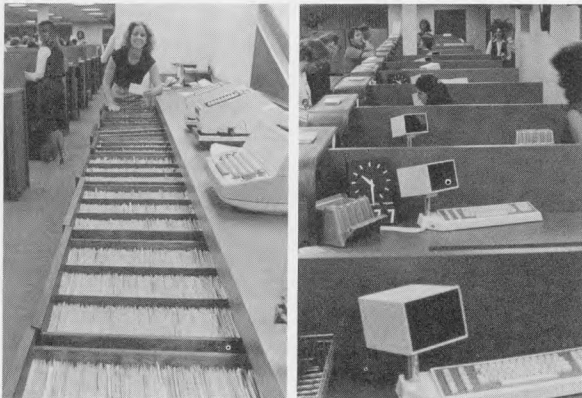
This sketch shows three ways to verify customer's signature. UPPER LEFT: Teller verifies it without aid of signature-card file or computer. This usually is done when customer is known to teller. UPPER RIGHT: Teller goes to signature-card file for signature verification. LOWER LEFT: Signature on file is brought up on computer and shown on display terminal.





Here's how Signature terminals speed teller lines and

slow forgers at Jefferson Bank and Trust, Lakewood, Colorado.



Before

After

There had to be something better than searching through 30,000 well-worn signature cards, then through a stack of day-old printouts to check balances everytime a customer wanted to cash a check.

Signature cards can be misplaced, misfiled, not filed at all. It's a hassle for the teller and it's insulting to the customer. When you handle 60,000 cars a month in your drive-ins alone, it makes a difference.

"We looked at everything," says Diana Purvis, Manager — Retail Operations. "We even tried microfiche and closed-circuit TV for awhile.

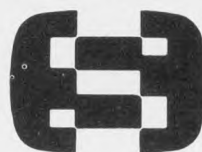
But the only *real* choice we had was Signature terminals.

"Now, tellers check signatures and balances everytime because it's so easy. No matter how busy things get. The account data *and* signature is on-line and up-to-date, showing all the customer's relationships with the bank. All at the same time.

"What's more, we're also serving our data entry, our tellers and our customers at the same time. Our tellers have become more than just money counters and check cashers, too. Using Signature terminals to cross-sell bank services, our consumer deposits have increased nearly 20%."

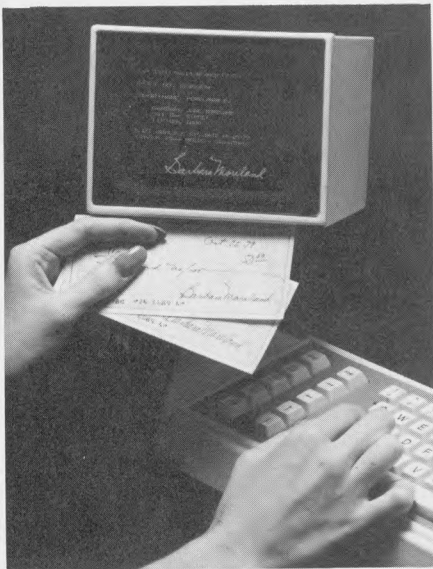
Stopping forgers is a bonus feature of the Signature terminal system. Jefferson Bank & Trust drive-in tellers caught three forgers red-handed in the first four months. With checks averaging \$600 each.

Want to hear more? Call Bill Spear, President.



Signature Technology, Inc.

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This signature-verification equipment from Signature Technology, Plano, Tex., features signature-display terminal at teller's station. Signatures are digitized and stored in computers along with customer's other account information.



LeFebure, Cedar Rapids, Ia., manufactures this CCTV-based system that can provide instant signature-card display from central point to any station on-premise via coaxial cable.



ID system products, Polaroid Corp., Cambridge, Mass., has system that uses identification card that includes customer's signature, account number and photograph.

the system, according to Mr. Logsdon. For instance, a signature, logo or special symbol may be superimposed photographically over parts of the card to aid in the detection of tampering. Special identifying codes also can be built into the card as additional security measures.

Shine a Little Light:

Black-light systems are used largely for signature verification on passbook accounts. To initiate use of such a system by Besco, New Hyde Park, N. Y., the firm recommends having depositors sign a transfer slip over a pre-designated area of the passbook — covered by a Besco transfer sheet — without telling the customer "why" unless

he asks. When the customer signs, phosphors are pressed onto the passbook similar to the way carbon is transferred to a piece of paper when copies are made using carbon paper. These phosphors are not seen under natural light, but the signature can be fluoresced under an ultraviolet (black) light. For greater security, the teller invisibly initials the signature with a special pen. In the future, the passbook owner will have his signature verified by the teller, comparing his "invisible" passbook signature to the signature on documents for the current activity.

Coaxial-Cable Calligraphy:

Rather than giving customers an ar-

ticle they maintain themselves and present on demand, banks may opt to maintain signature-identification files themselves. Use of signature file cards already has been mentioned. An extension of this basic procedure has proved more efficient for some banks. These banks use a centralized signature file card or microfilm setup. Signatures are stored away from the teller area with usually only one person involved in pulling signatures from storage. The centralized method also can be used to give account-balance information if signature files and book-keeping records are coordinated.

With centralization, there develops the need to transmit information from the central files to the teller, officer or

Alden Electronic & Impulse Recording Equipment Co., Westboro, Mass., manufactures its Automated Signa Fax Retrieval System that combines Alden hardware components and Alden software.



This Informer signature-verification system in use at Chicago's Continental Bank is marketed by Signature Technology, Plano, Tex. According to bank, system is first of its kind in this country.



Blak-Ray Lamp invisible signature-verification system from Ultra-Violet Products, San Gabriel, Calif., uses specially treated transfer slips to encode permanent, invisible signatures on items.



customer wanting to verify a signature or account balance.

LeFebure, Cedar Rapids, Ia., manufactures a CCTV-based system that can provide instant signature-card display transmitted from a central point to any station on-premise via a coaxial cable. Cards or microfilm are placed in a transmitting unit in the file room and presto — the bank employee needing the verification compares the file signature appearing on her counter-top monitor with the sample at hand. The same procedure may also be used to check a balance.

Coaxial-cable transmission can be used for distances up to 3,400 feet with amplification. But where coaxial cables stop, telephone cables take over. A high-resolution telephone-line TV transmitter or transceiver converts the signature image to audio tones, which then are transmitted over regular non-leased telephone lines. Because of the high resolution of the video picture, the reference signature on the television monitor is extremely sharp and clear. If desired, a printer can be provided to create a hard copy.

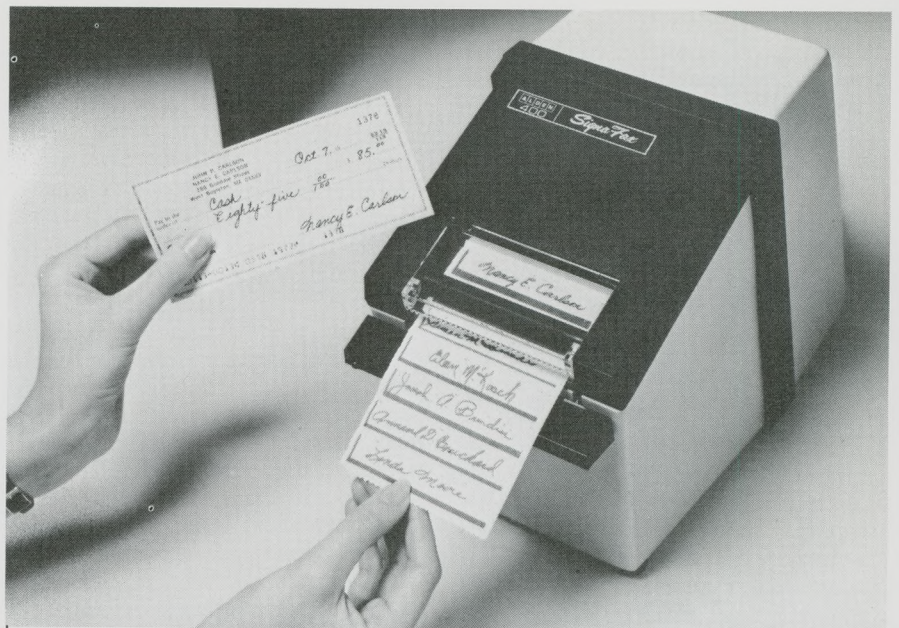
Robot Research, Inc., San Diego, has developed a system that permits transmission of a television picture of a bank signature card to anywhere in the world by using the telephone. The system employs a television converter unit that converts the picture image of a signature into audio tones, then transmits these audio tones over the dial-telephone network for the cost of a telephone call. Robot spokesmen say the system does not require any changes in filing systems or signature-card format.

Beep: This Will Compute:

F&M Savings Bank, Minneapolis, has installed a new signature-verification system at its downtown and Southdale locations. The bank considers the system an innovation in security and customer service. The new system was manufactured by Informer, Inc., Los Angeles, and is marketed by Signature Technology, Inc., Plano, Tex.

A signature-display terminal is located at the teller's station. Signatures are digitized and stored in computers along with a customer's other account information. Bank Vice President Harvey Mild claims, "The system is an example of the positive impact computer technology has on F&M's banking operations."

At Commonwealth National, Dallas, signature-verification terminals are on line to its service bureau so that tellers can have at their fingertips a display of any customer's complete account in-



Ask these questions

when you compare ALDEN's 400 Signa Fax® with any other signature verification system

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Is it quick and simple to use?

YES... A phone call by the teller to the central file produces, in 11 seconds, a clear, crisp copy of the signature. That's all it takes with the ALDEN 400 Signa Fax System for positive identification at any branch. Faster transactions mean happier customers, and more efficient employees.

Can signature cards be readily purged and updated?

YES... As soon as the signature card is made out and filed it is instantly available to all branches with the ALDEN 400 Signa Fax System. No lag period, no updating, no problem with purging closed accounts.

Does it provide a hard-copy record of verification?

YES... Signature hard-copy records from the ALDEN 400 Signa Fax System provide proof of the verification.

Can it operate on existing phone lines?

YES... Both transmitter and recorder will operate wherever AC power and a telephone are available.

Is it reliable?

YES... Engineered, manufactured, sold serviced by ALDEN — a supplier of facsimile equipment to the U.S. Government for over 30 years.

Is it cost-effective?

YES... The ALDEN 400 Signa Fax System is the only facsimile system specifically designed for signature verification. It will transmit either the signature portion of the card, or... it can transmit the entire card... saving time as well as paper. The quick-loading paper cassette has a 600-signature capacity with an average cost of less than 1¢ per signature.

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formation — checking, savings, loans — along with a slightly larger than life-sized authorized signature for that account.

Signatures are captured at the same time that a new account is established or from existing signature cards by a separate desk-top capture unit and are stored in digitized form in a computer. Signatures can be called up for verification in an on-line mode over private lines at baud rates of up to 9,600.

The most significant benefits, besides deterring forgers, are convenience, teller productivity and goodwill, says the bank's senior vice president/cashier, Omer Dennis.

As with F&M Savings Bank, Minneapolis, Commonwealth National's terminals were supplied by Signature Technology, Plano, Tex.

Continental Bank, Chicago, recently put into use an Informer signature-verification system marketed by Signature Technology. A minicomputer is hooked to the bank's mainline computer so that when a mainframe computer receives a signature request from the teller terminal, it sends a message to the Signature system minicomputer. The Signature system then transmits the customer's signature directly to the small Signature terminal at the tellers window, all au-

tomatically. The bank believes the system is the first of its kind in this country.

Alden Electronic & Impulse Recording Equipment Co., Inc., Westboro, Mass., recently announced manufacture of the Alden Automated Signa Fax Retrieval System. Using Alden hardware components and Alden software, a bank can find a signature in a minicomputer in milliseconds. A teller punches in the customer's account number using the computer-access telephone. The signature then is transmitted over existing phone lines to a hard-copy reproducer at the teller's end. The computerized retrieval system stores numerically coded digitized signatures on disks. Alden spokesmen see two primary benefits of their system as being the millisecond signature access/retrieval it makes possible and elimination of misfiled signature cards.

Looking at the future, the firm sees future adaptability as another major benefit of its equipment. Equipment designed for manual-access signature-verification systems used today can be used tomorrow as well if the bank finds the need to go to a computerized signature-verification setup. Previously owned Alden components can be interfaced with new, fully au-

tomated components. Joe Whelton, the firm's manager of bank systems sales, calls it "a built-in hedge against obsolescence." ● ●

Thesis Program Changed By Consumer Bankers To Include "Readers"

WASHINGTON, D. C. — The Graduate School of Consumer Banking is restructuring its thesis program, according to Richard K. Slater, director.

The program now will include the use of "readers," individuals with either a working knowledge of or specialization in particular areas of banking. They will be asked to read a maximum of three thesis papers, varying from 50 to 150 pages, and complete a two-page evaluation form for the student's adviser.

Previously, thesis advisory panel members served as "secondary advisers." In addition, open positions on the thesis advisory panel probably will be selected from the readers, Mr. Slater says.

Sponsored by the Consumer Bankers Association in cooperation with McIntire School of Commerce, University of Virginia, the three-year graduate program tries to develop retail bank officers. The curriculum includes bank management, cost analysis and pricing, investment portfolios, consumer credit developments, economics and marketing.

For more information about becoming a reader, contact Mr. Slater at the Graduate School of Consumer Banking, c/o Consumer Bankers Association, 1725 K Street, N. W., Washington, DC 20006.

James J. Saxon Dies

WASHINGTON, D. C. — James J. Saxon, 65, former Comptroller of the Currency, died January 28 after a lengthy illness.

Mr. Saxon was an attorney for Chicago's First Nat'l when the late President John F. Kennedy appointed him Comptroller in 1961. His term was marked by controversy, much of it over his granting more than 500 national bank charters. He also challenged many regulatory practices he considered stifling to banking competition.

After retiring as Comptroller late in 1966, Mr. Saxon joined Indianapolis' American Fletcher Nat'l as cochairman and a director. In 1968, he returned to Washington to practice law.

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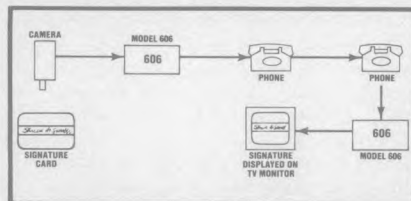


By using a televised picture of the reference signature, the possibility of error is virtually eliminated, and the few seconds required does not inconvenience customers.

The Robot 606 system is relatively inexpensive, costing about the same as a photo copy machine, but is free of the complications of paper handling and mechanical devices. It does not require any changes to your signature card filing system or in the format of the card itself, nor does it require the installation of peripheral computer

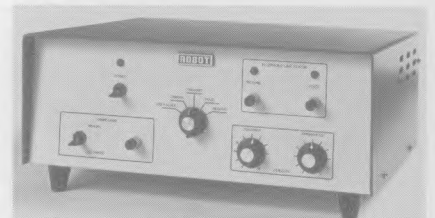
equipment or other support devices. Present users praise the simplicity and efficiency of the system.

The typical system employs a TV monitor, closed circuit TV camera, the Robot 606 and a standard telephone. The camera views the reference signature card and feeds the image into the Model 606 which converts it from a broadband video signal to a narrow band audio tone. This audio tone is then transmitted over the telephone to another Robot 606 at a branch office. There, the Robot 606 unit converts the signal back to a wide band video sig-



nal and feeds it into a TV monitor for display. The entire transmission takes 8.5 seconds.

An important characteristic of Robot's system is the high resolution of the video picture, which approaches



commercial TV picture quality. This high resolution provides a clear, sharp reproduction of the reference signature on the monitor for maximum accuracy and ease of viewing.

This transmission of video pictures over ordinary telephone lines was pioneered and developed by Robot Research, and is becoming a routine operation with security and video conferencing users.

For more information and a demonstration of the Robot Bank Signature Verification System contact: Robot Research, Inc., 7591 Convoy Court, San Diego, CA 92111, (714) 279-9430.

ROBOT

With Specially Designed Package:

Bank Builds for Future Growth In Its Installment Loans

AS TULSA'S leading bank and the third largest in Oklahoma, Bank of Oklahoma (BOK) is not a bank to be satisfied with the *status quo*.

BOK, which markets to the entire Southwest and has over \$800 million in deposits, constantly is looking for ways to serve the community better and to ensure its leading role for the future.

This philosophy extends, of course, to BOK's data processing department. The DP area prides itself on having some of the most modern equipment and software systems available.

"If you're to run a bank that can serve its clients' needs now and tomorrow, your DP area can't be neglected," says Jim Harris, vice president/manager, data processing group. "BOK's management realizes this and has given us its backing through the years."

About four years ago, BOK saw the need to replace its existing installment-loan package. The package had been written in-house some time before and was becoming cumbersome to use. In addition, the system was not capable of handling all activities BOK was involved in or hoped to get involved with in the future. To update the package would have taken too much time and money.

"In fact, we would have had to write a new IL package," explains Frank Behrens, assistant vice president/manager, retail credit administration.

"That's when we made the decision to purchase a vendor package."

"We set definite objectives that our package had to meet, surveyed what was available and visited several banks in different parts of the United States comparing benefits and capabilities of various packages," Mr. Behrens says.

After this study, BOK decided on University Computing Co.'s Installment Loan System (UCC ILS). The package met the bank's current needs, was flexible and had capabilities BOK felt it needed for some time to come. Also, BOK had several other UCC products, and the IL System fit in nicely with this other software.

"Our installation was practically trouble free," says Mr. Harris. "In fact, it was a 99.9% automated conversion. And since then, we've had few problems. The problems that did arise happened because we were making many modifications to the package while we were implementing it."

BOK is using UCC ILS for all installment loans — simple interest and add-on — and is using all capabilities that apply to the types of loans offered by the bank.

One particularly beneficial feature is the system's reporting capability. UCC ILS gives a variety of reports that can be easily modified to meet the bank's needs through use of the report reformatter, a system of control cards that allows flexibility in defining the

format of the report as well as determining information that needs to appear on the report.

"The system modifies easily so that we can ask for several different reports during the month and be pleased with the end result," says Sara Freeman, vice president/manager, loan control and operations. "This is a definite plus for the system."

"Reports can be detailed by cost center, by officer, by department and any number of classifications. With this kind of information readily available, we can make much more detailed comparisons and measurements than we could before," she emphasizes. "And since minimal programming modifications are necessary to change reports, our turnaround is much quicker."

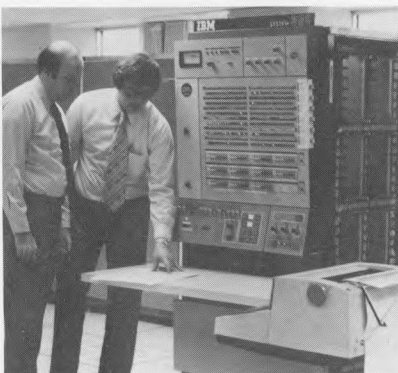
BOK has found simple interest on direct loans to be a competitive tool that wasn't available previously. The UCC ILS dealer-processing capabilities also are being utilized.

"It's refreshing to be able to look at a dealer's performance," says Mr. Behrens. "We can see how his or her loans have performed and what kind of yields we are getting on a certain portfolio as compared to individual officers or other dealers."

Another benefit BOK has derived from UCC ILS is accounting for an expanded loan portfolio. The package's flexibility has allowed the bank to account for loans that would have required a lot of manual effort under the old system. Flexible payment schedules, dealer participations, automatic payments to checking or savings accounts, generation of credit-bureau tapes and automatic billings are all features that have tremendously reduced the clerical work load and have streamlined operations.

From an operational standpoint, UCC ILS is providing follow-up dates and tickler reports. It also provides a useful report on expired and expiring hazard insurance. Another important tool is the report on loans coming due by officer.

"Control is another important factor," states Miss Freeman. The control



Jim Harris (l), v.p./manager, data processing group, Bank of Oklahoma, Tulsa, discusses report produced by University Computing Co.'s installment loan system (UCC ILS) with Len Fears, v.p./manager, data center.

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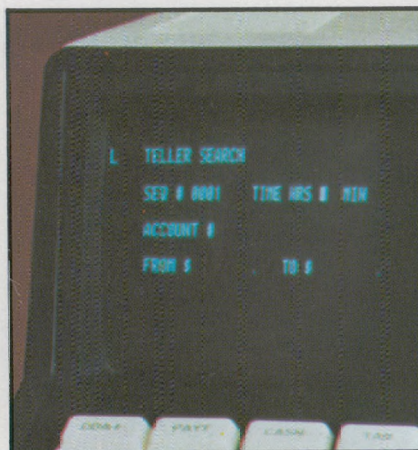


MID-CONTINENT BANKER for March, 1980

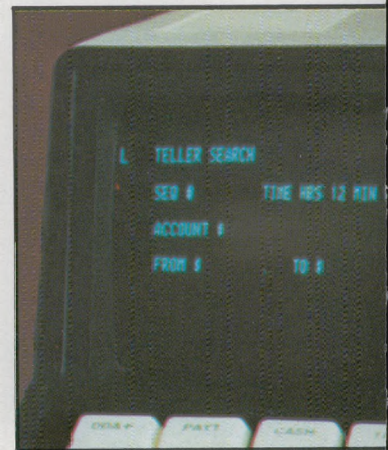
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A teller can call out search masks and enter



Sequence Number...



Time...

The Electronic Journal is here!

Automates cash control and eliminates tape printers.

Two new developments in electronic banking that expand the capabilities of on-line operations are available from Bunker Ramo. One is called EJP™ (Electronic Journaling Package), a new software system which automates cash control for tellers while eliminating printed journal tapes. The other is a hardware device called the Validator™ which automates receipting of transaction documents, with or without EJP.

Both employ the proven minicomputers and teller terminals of Bunker Ramo's BANK CONTROL SYSTEM 90™ which is now used in over 3,000 banking offices in the United States and abroad.

EJP improves the storage and retrieval of teller transactions for both cash control and customer problem reconciliation purposes while reducing drastically the time and effort required for balancing teller and branch cash positions. All teller transactions are recorded on a local disk storage

unit and are retrievable on the CRT screen of the teller terminal in their original input format. They can be searched by category or individually by sequence number, time of day, account number, dollar amount, or any combination of these search parameters. When all is in balance, the journal can be "dumped" to the mainframe and may also be printed locally via an administrative printer.

The **Validator** is a device for single-line imprinting on checks, deposit slips, and other documents normally validated at the teller station. Transaction documents can be validated across their full width with virtually no limitation on the number of characters. The device accommodates multipart documents and is equipped with operator keys and control indicators which guide the user through each validation and allow the unit to be shared by two teller positions.

A compact, low-profile unit, the Validator contains its own micropro-

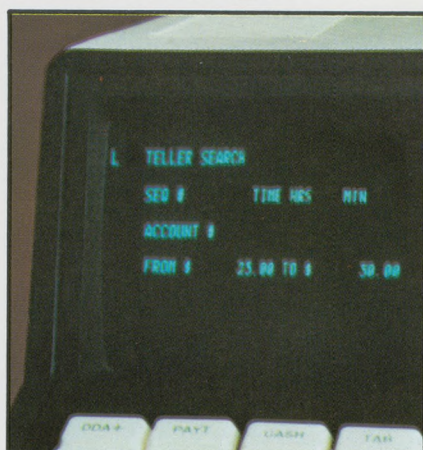
cessor. In an inquiry/memo post system, the Validator may be used to eliminate the hand validation of documents normally done by a teller. In sophisticated cash control systems employing EJP, it provides a convenient and inexpensive means of receipting hard copy transaction documents for teller and depositor alike.

Both of these innovative electronic developments have been tested and **proven successful** during daily banking operations at The Arizona Bank in Phoenix. The bank's Vice President and Project Director, Roger Schindler, says, "Electronic Journaling with Bunker Ramo's single-line Validator is extremely beneficial in on-line operations and is superior to older journal tape printer operations. Search capabilities for tellers are enhanced many times over, so balancing out is far easier than researching paper tapes. Electronic logging with EJP is beneficial for audit purposes as well."

search criteria for all transactions according to...



Account Number...



Dollar Amounts.

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journal and automatic interface to the general ledger system allow us to balance to the system and to general ledger quickly. This, of course, has freed up our personnel even more."

After using the package for three years, BOk continues to expand its usage of UCC ILS. The possibility of including a line-of-credit program is being studied, and similar programs at other banks have been investigated. The bank is considering implementing the dealer floor-plan system in the near future to replace its older floor-plan system.

With the experience of quite a few software package installations behind him, Jim Harris says that for Bank of Oklahoma, installing a product in a "plain vanilla fashion" works best.

"Don't try to make too many enhancements to a package right at first. Use the package for several months; become familiar with it, and then begin adding the extras," he suggests.

"If a DP center tries to customize a new package right at the beginning, it's hard to tell if the problems are with the package or with the customization. And, once you get to know the package, the modifications might be a lot easier than you think, or you might find that you don't really need them after all."

Mr. Harris also advises having specific goals the software product should meet and setting standards to follow throughout an installation.

Looking into the future, he plans on using UCC ILS for a long time.

"We have a system that we can live with in the years to come," Mr. Harris says. "A more advanced system shouldn't be necessary in the foreseeable future, because UCC ILS offers benefits that haven't been used yet and because UCC has consistently maintained and improved the product." ●●

Customer Records

(Continued from page 42)

have the people to do this kind of a manual chore, so we looked outside for a reliable source that could do the job at a reasonable cost. I don't believe in reinventing the wheel, and we were looking for more than just a 'turnkey system' that you buy once and walk away from. We had to have something that could be used for ongoing support and something that can be utilized in the future. We saw all this in the Innovative Systems product as it was presented to us early on."

MID-CONTINENT BANKER for March, 1980



Richard A. Hamilton (l.), v.p., and John H. Dorland, e.v.p., both executives in bank operations, Commerce Union, Nashville, were instrumental in quick initiation of bank's QUICKSILVER ATM program. It was prepared from seven application files in just three months, using BANKMATCH duplication-identification software system from Innovative Systems, Pittsburgh.

'Dress-rehearsal' test. A factor Commerce Union operations staffers considered critical to quick evaluation of the BANKMATCH system was ISI's concept of the "dress rehearsal," where for a fixed fee, actual samples of a bank's application files are processed by the software system being evaluated. This permits each institution to evaluate software performance in the exact situation in which it will be used. It also enables actual system completion time to be shortened drastically, as any problems that may occur are pinpointed during the "dress-rehearsal" process.

CU people responsible for evaluating results of the ISI dress rehearsal were Richard D. Carman, assistant vice-president, and Royce Stubblefield, data services officer. They commented on the dress rehearsal.

Says Mr. Stubblefield, "... Usually, software packages come in with test data included with them, usually on a 30-day 'free' trial. Hopefully, during this 30 days you will have the time to write a conversion program to take our files and put them into a format that will be checkable against the software, or you must convert it into a format of the vendor's. Then you have to start pumping in hard transactions so you can estimate time frames. In other words, usually you have to put out a lot of expense just to test a system before you can tell if it will fit your needs."

Mr. Carman adds, "... The ISI method is better in that they run a test using data we have selected, data totally ours, not 'test data' that somebody made up. It gives us confidence in what the system will do.

"Once we evaluated dress-rehearsal results and went ahead with the project, the system installed smoothly, and that is important. ISI people came down before, during and after the installation. Minor problems were handled over the phone.

"Another thing that made the system go up quickly was that we could 'fine tune' the software to determine what we would accept as a match. You actually can look at the data and see what percentage of the data is or is not a match, and set your own levels of 'matchability.'"

ATM Project Result. The Commerce Union ATM data-base project officially was begun August 15, 1979, and was completed almost to the day in just three months. "Customer acceptance of this system has been good and so has the system's performance," says Mr. Lahti.

"Right now," Mr. Lahti adds, "We run BANKMATCH at least every quarter to see what shape our CIF is in, duplication wise, and plan to run it at least every six months. I think that if you don't, you can expect to see a gradual duplication rate of 2%, 3% or 4% creep in, and this is unacceptable.

"This BANKMATCH software also is a big selling point for our data center for offering CIF conversion capabilities to smaller banks. With it, we can take each application and bring it up on CIF, run BANKMATCH against the files and do automatic combines (with another ISI package, BANKMERGE), in probably a week or two. Before, it would take about a year to do this same work, because of the manual review work needed.

"I think that once a bank gets an automated CIF, they need to have this kind of duplicate elimination capability on hand. Otherwise, they will have an inferior product, whether it's an off-line, batch CIF that generates just reports, or whether it is an on-line system like ours. Otherwise, you will not be able to provide accurate information on profitability of accounts, and you will lose in a lot of different ways. At the same time a bank makes the decision to have a CIF, it should make a decision to have a mechanism for eliminating duplicates."

Richard A. Hamilton, vice president/systems support, adds, "A lot of people say they have a data base and they don't. If you really have one, you will use a duplicate elimination system to marry your accounts. If you use a bad product and make a bad match, you are not going to catch the errors and you will never recover. Not only are you going to be out of money, you will be out of customers." ●●

Tight Security— It's Possible, Even in a Mini-Branch

THE NEW Butler, Tenn., Branch of Farmers State (main office in Mountain City, Tenn.) proves once again that the most pleasant surprises come in small packages. From the outside, the branch has the appearance of a small house styled in keeping with the homes in the area — broad front porch and all.

The first surprise comes as you enter the lobby. It's bright, cheerful, a pleasant place to conduct banking business — and a lot more spacious than seems possible.

To appreciate the second surprise, you have to know something about bank security. Although it looks open and friendly, this facility has a higher degree of security than most of the thousands of bank branches throughout the country. It was designed that way to meet bank requirements by Jim Simpson, Mosler sales engineer, and Scott O'Neill, a draftsman, under the Mosler architectural services program. Mosler calls it "space planning." The firm describes this service this way, "Tell us what space you have, and we'll

recommend the most efficient and cost-effective way of using it for banking functions."

Jack Muse, president of Farmers State, convinced his directors in 1978 to authorize a branch in Butler to get the jump on his competitors. His first thought was to house the branch in a trailer as other banks have done in the state. That idea was abandoned when a trailer branch of another bank in Sevierville was robbed and tellers gunned down without provocation. To provide maximum safety for employees became an overriding concern — thus, a conventional structure was called for.

That was when Jim Simpson offered Mosler's space-planning services. "Jack told us what they wanted," Mr. Simpson says, a high level of security, full-service capability on a strict budget. We then made it into a workable plan."

Bond-Tin Pass-Through. The basic design emphasized security by fully separating working areas of the bank from the customer lobby, using bullet-resistant (BR) materials. BR glass was installed to protect three teller stations and the safe deposit box service counter. The door leading from the lobby to the work area also is bullet resistant. This design posed a problem in the safe deposit box area: how to protect box renters' rights without breaching teller security. Jim Simpson solved that dilemma neatly by modifying a pass-through interlock unit, making it large enough to accept a bond tin.

The safe deposit boxes are housed in a standard safe made for that purpose, and the safe is installed behind the teller station in full view of customers. The teller uses the customer's key to open the box and passes the tin through the interlock. A coupon booth

Three tellers stations line one wall of brightly decorated customer lobby of Butler Branch of Farmers State, Mountain City, Tenn. Tellers are protected by bullet-resistant materials, and at least one man, usually branch mgr., is always present.



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errors and omissions.

Trust department errors and omissions insurance can be extended to cover a variety of responsibilities, but only the ones that apply to your bank: stock transfer agent, registrar, trustee under bond indenture, dividend disbursing agent, fiscal agent, escrow agent or sinking fund agent.

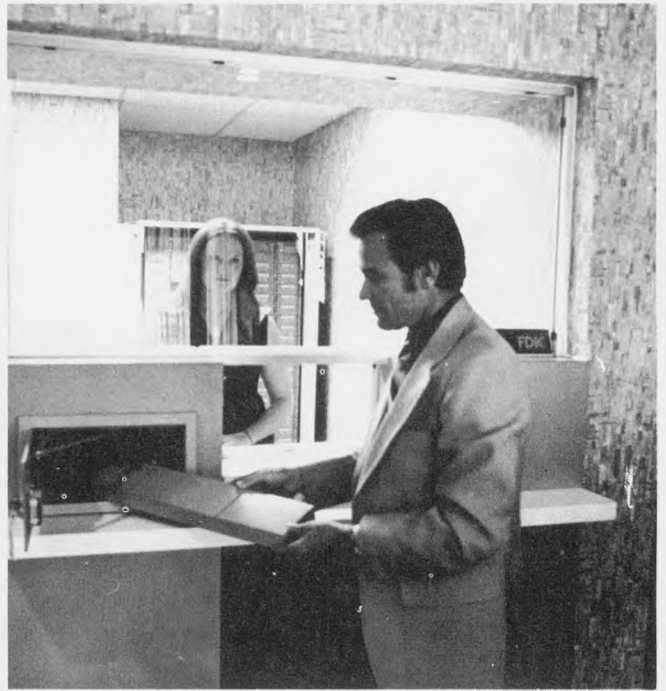
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TOP LEFT: This tellers station serves safe deposit box renters and loan customers. Privacy is assured by glass-paneled enclosure. There is coupon booth at right inside enclosure.

TOP RIGHT: Mosler sales engineer, Jim Simpson, demonstrates bond-tin interlock pass-through. Note safe deposit boxes behind teller.

RIGHT: Large safe doubles as night-depository receiver and vault for teller drawers and cash storage. Only minimum amount of currency is kept overnight in branch.



was built alongside the window so that customers can open their bond tins in complete privacy. Also, as the floor plan indicates, the space immediately in front of this teller station is enclosed with glass partitions. This was done so that the branch manager can discuss small loans in private with customers. Remember, this is a full-service facility.

Night Depository/Vault. This amazing little branch also offers drive-in and night-depository service. To save space and keep costs low, the branch utilizes one large safe as a night-depository receiver and "vault," where tellers' drawers and cash are stored overnight. This is feasible because only sufficient funds for the next day's opening are kept overnight in the

safe. The bank's main office, in Mountain City, is only 15 miles away so that additional cash is available, if required, in a short time. Of course, the branch is fully alarmed — with a Mosler Century 21 system.

If all this were not enough, the branch includes an employees' lounge area complete with kitchen facilities, and in the spacious attic, there is room to store files, records and forms.

Has the branch been a success? Jack Muse answered that by saying that in the first 3½ months it was open for business, "We picked up 100 accounts, and half of our safe deposit boxes already are rented. As a further indication of local interest, we entertained 1,100 people at our open house."

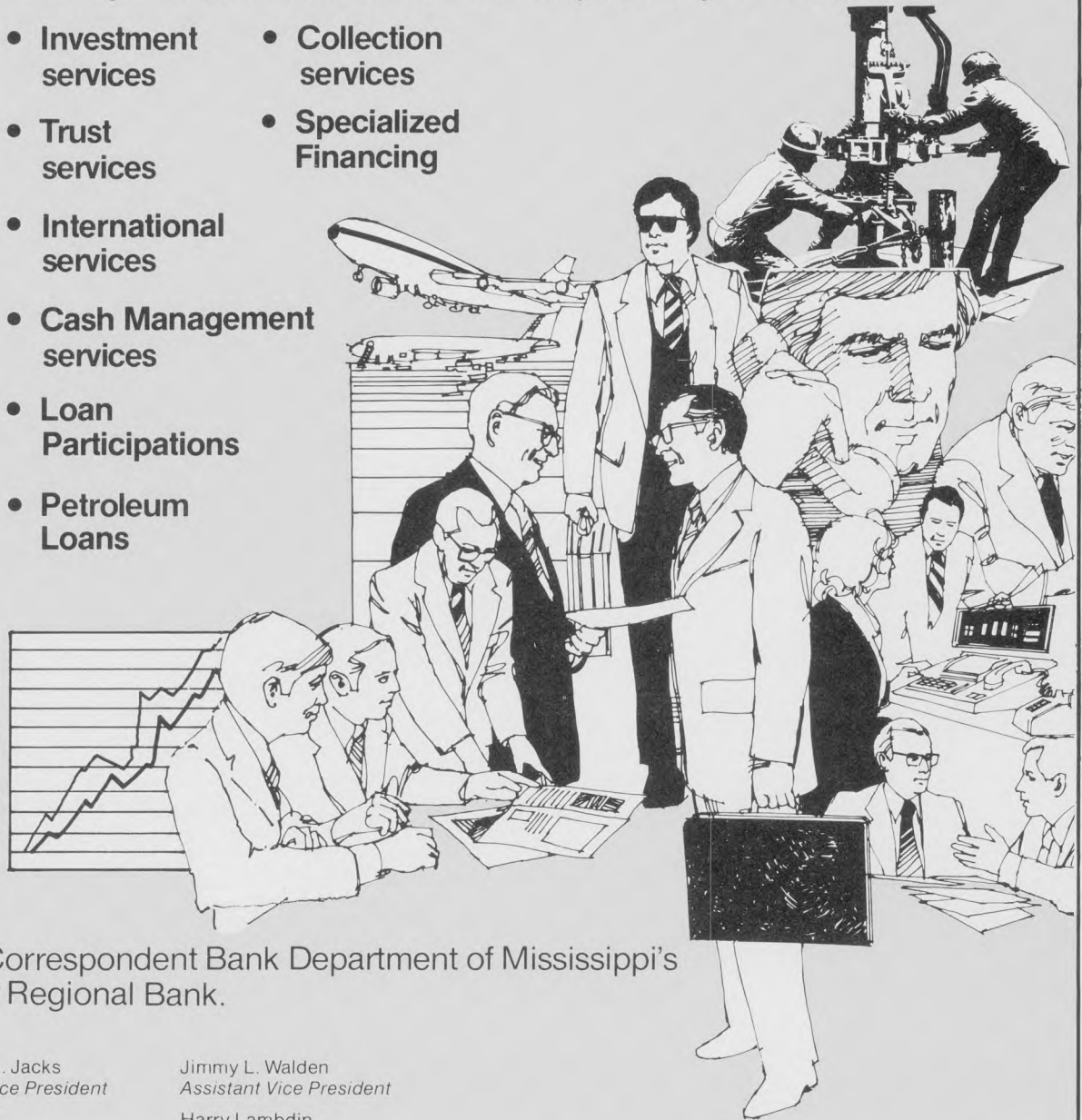
Since Butler, Tenn., has a population of 850, that's not a bad start at all.

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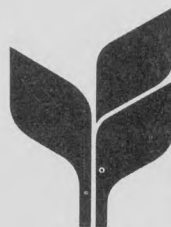
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Operational Ideas for Banks

'Pickproof' Lock System For Security Bags

Described by its manufacturer — Halsted Corp., Jersey City, N. J. — as virtually pickproof, the new Halco 12M® locking system offers 12,000 different key combinations and 400 master-key series, assuring non-duplication in a bank's area. Halsted says the system provides utmost security against internal theft, and duplicate keys are available only through Halsted.



According to Halsted, the system combines "pop-up" and "swing-away" features to provide easy access to the zipper slider. The Halco 12M® system allows the bag to be locked with or without the key, yet its "key control" prevents the bag from being locked accidentally when the lock is in the 180-degree position. All Halsted locking systems can be ordered keyed alike, keyed alike in groups, keyed differently and master keyed.

Write: Halsted Corp., 78 Halladay St., Jersey City, NJ 07304.

Voice-Response System Offered to Banks

With Wavetek Data Communications of San Diego's new ADC2000 general-purpose audio/data communications processor, the user can enter data in or make an inquiry of his data base from a conventional Touch-Tone telephone, no matter where he is, and receive voice response, visual display or hard-copy output. The ADC2000 has a capacity of up to 256 telephone lines.

According to its manufacturer, the ADC2000 is ideally suited for applications where a data base is accessed by a large number of calls per day from a large number of terminals and where the response to an inquiry or entry is short and straightforward.

For banks, the ADC2000 provides voice response in a number of applications. Tellers can use it to clear checks verbally. It also can be the heart of a telephone bill-paying system.

The ADC2000 is a modular system, consisting of an ADC1700 control unit and from one to eight ADC1500 terminal controllers. This design lets the user put the terminal controllers where calls originate, while the control unit can stay at the central computer site.

Write: Wavetek Data Communications, 9045 Balboa Ave., San Diego, CA 92123.

New Transport System For Commercial Drive-Ups

Drive-up windows at many banks are overtaxed because growing numbers of commercial customers are transacting their business from their cars. To remedy this situation, LeFebure, Cedar Rapids, Ia., has developed a heavy-duty transport system designed to carry 30-pound loads of coin and currency between a drive-up kiosk and a teller terminal. It is called Automatic Transport System (ATS).

Although the kiosks somewhat resemble those used for noncommercial transactions, they are different mechanically. A large-capacity captive carrier is driven electrically on a dual track. A commercial customer simply

drives up to the kiosk, places transaction material in the open carrier and presses a "send" button. The sliding sleeve over the carrier closes automatically, and the carrier itself closes and moves along the track to the teller terminal.

At the teller station, the carrier slows to a stop, and the counter-top terminal door and carrier door open automatically. Tellers can turn the power on or off and send or recall the carrier as needed.

A counter-top sound system provides clear two-way communication. A teller call button on each kiosk provides additional convenience.

When the carrier is not present, each terminal is closed and locked, preventing foreign items from dropping into the tunnels. If a hand or transaction material prevents the closing of the carrier, the door reopens automatically, and a "carrier-obstructed" light operates at the teller terminal. Once the obstruction is cleared, the system is reactivated by pressing the "send" button.

Write: LeFebure, Cedar Rapids, IA 52406.

Remote-Item Processing Is Offered to Banks

Remote-item processing (RIP) capabilities are offered banks by ADP Banking Services, Clifton, N. J., through new generations of mini-computers and distributive proof equipment. These systems perform the preliminary processing of items while ADP's computers do the rest.

Distributive proof equipment, according to ADP, offers a bank on-site capability of cassette or disc capture of all data needed to update master files on ADP's host computer. Because transactions are sent via high-speed telephone transmission, a bank's documents never leave the premises. Most transactions are handled only once — distributive proof equipment automates other department procedures, including microfilming and cash-letter preparation. Management reports are printed on premises, available first thing in the morning.

Write ADP Banking Services, 405 Route 3, Clifton, NJ 07013.





To clear your West Coast items, think Bank of America.

You have probably noticed that Bank of America items can add up to a big part of your California cash letters. Often as much as 35%. So when you clear those items with us, you can get a lot more same-day availability. And a lot less float.

Of course, we handle your "mixed sort" items, too. Our new Data Centers in Los Angeles and San Francisco process both kinds of cash letters fast and efficiently.

And should you need foreign items cleared, we can take care of that as well. It's all part of the complete package of correspondent services we offer.

So think Bank of America. We think you'll be glad you did.

In San Francisco, call (415) 622-6909. In Los Angeles, call (213) 683-3288.

BANK OF AMERICA 
Correspondent Banking Services

Operational Ideas For Banks

Electronic Phone System Designed for Small Banks

An electronic phone system that lets small banks enjoy the most advanced communications features has been announced by Executone, Inc., Long Island City, N. Y. Called EquityTM, it can serve an organization with as few as four phones. Every phone in the Equity system has its own built-in computer with an electronic memory.

Features include distinctive-tone ringing, which tells whether an incoming call is from inside or outside the bank; automatic-button restoration, which helps prevent accidental disconnection of calls on hold, and voice announcement, a feature that allows a person to reach any phone in



New Facsimile Receiver Helps Info Exchange

A new compact facsimile transceiver, called Omnifax, has a package of features designed to enhance information exchange among banks, according to its manufacturer, Telautograph Corp., Los Angeles.

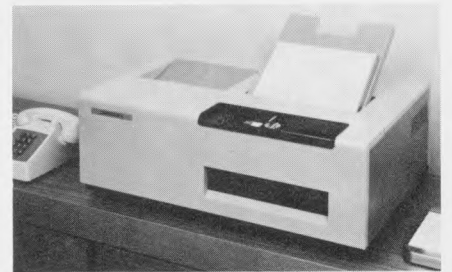
Time-sensitive material such as credit information, loan applications, signature verification, money transfers and security transactions can be transmitted across town or across the country, acted on and results returned, without mail delays, messenger expense or verbal misunderstandings.

With CCITT Group 2 and FM com-

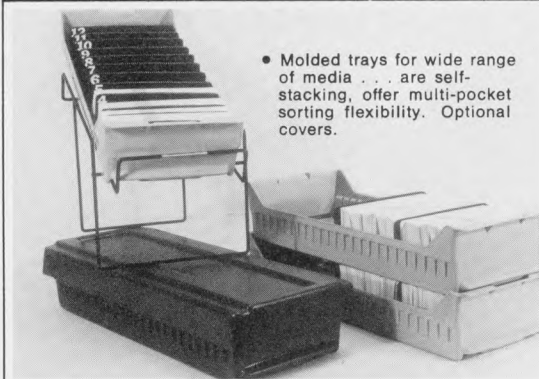
the system, even if the person being called is on another call. Equity also provides C. O. line restriction, which reduces unauthorized phone use by denying certain phones the ability to make outside calls. There also is music on hold so that people waiting on hold will know they're not disconnected.

The basic Equity system can provide up to six outside lines, but it's been engineered to handle up to 60 phones, of which 20 can be full-service phones for those who need to make and receive outside calls. The remainder can be intercom-only stations.

Write: Executone, Inc., 29-10 Thomson Ave., Long Island City, N. Y. 11101.



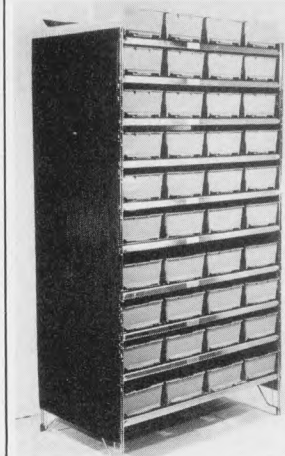
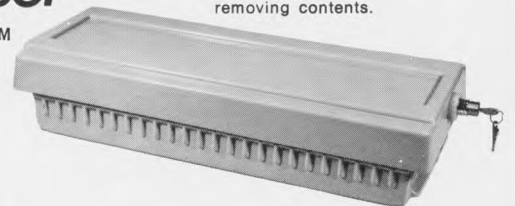
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Service people wherever you are.

It's a fact that you'll find Mosler service people in places you won't find anyone else. You'll also find that Mosler people understand that getting to you "as soon as we can" just isn't soon enough.

That's why last year alone, Mosler service people drove more than 20,000,000 miles in their custom-equipped vans to keep all kinds of security and transaction products in operation. Twenty-four hours a day. Seven days a week. Even in Alaska.

Another fact. Mosler service people spend up to 20% of their careers staying up-to-date with current technology. So they come to you trained to do the job right. Usually the first time. And always at prices you can live with.

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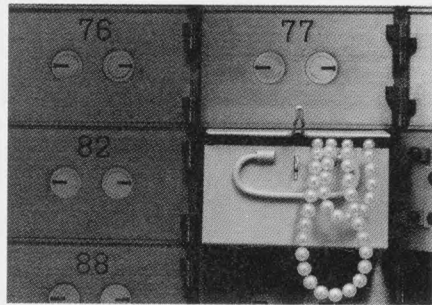
Whether custom-guarding the original Declaration of Independence in Washington, DC, safeguarding the gold in Ft. Knox or protecting valuables in a safe deposit box in Topeka, Mosler stands for excellence

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patibility, Omnix is said to be ideal whether starting or adding to a fax network. It's a totally automatic send-and-receive machine with speed selections of one to six minutes to meet time and resolution requirements. The stack feed permits transmission of up to 50 documents of varying lengths without operator attendance, and copies received are cut to size of original, ready for immediate distribution.

Write: Telautograph Corp., 8700 Bellanca Ave., Los Angeles, CA 90045.

Non-Jamming Feature In Microfilm Destroyer

Microfilm and microfiche can be destroyed on a continuous basis through use of the Model 700 Disintegrator, manufactured by Security Engineered Machinery Co., Westboro, Mass. This firm says the filing-cabinet-sized unit will destroy all types of film without jamming, and destruction is complete since both microfilm and microfiche are turned into micro-confetti.

In addition, the Model 700 can be used for the complete destruction of confidential and classified papers.



It has a built-in vacuum system, which automatically collects and compacts material after it is destroyed. This eliminates the disposal problem created by office shredders.

Write: Security Engineered Machinery Co., Inc., 5 Walkup Dr., Westboro, MA 01581.

Point-to-Point Delivery With New Track System

A system that will free tellers, secretaries and other bank personnel from the costly and annoying task of messenger duty has been introduced by Diebold, Inc., Canton, O. The new Diebold Shuttletrack™ is designed for point-to-point delivery of materials ranging from teller cash trays to computer printouts.

The Shuttletrack travels on vertical and/or horizontal track. A unique feature, says Diebold, is the Shuttletrack Leveload™ container, which is designed to stay level regardless of track configuration. Thus, there are no tilting, spilling or mixing up of contents. According to Diebold, Leveload design permits simplified loading; No special packing materials or instructions are needed because contents undergo no change in position during travel.

The Shuttletrack container is transported by a self-propelled electrically powered car at an average speed of 120 feet per minute. A full-length lid affords full access to the container inte-



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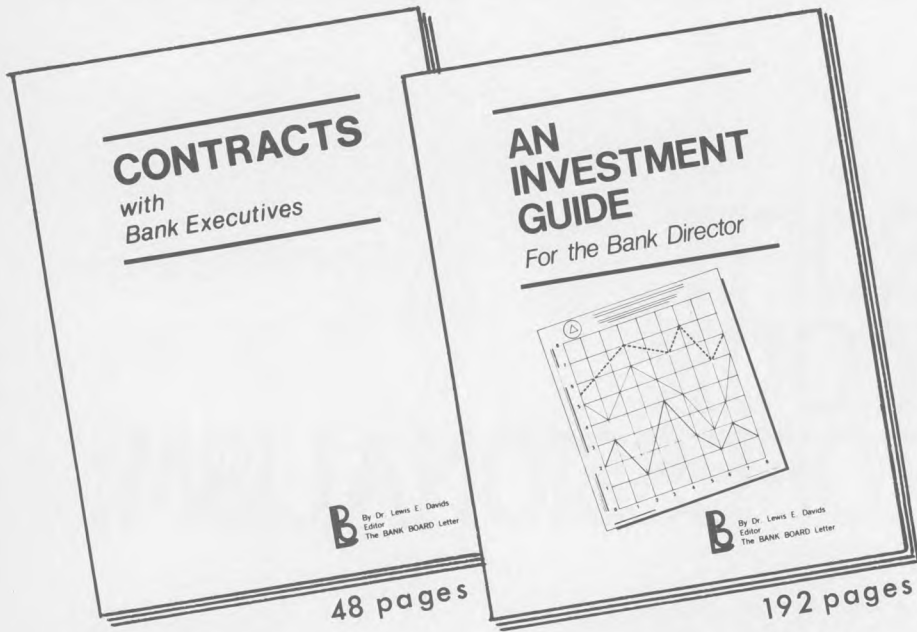
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Two NEW Director Aids



INVESTMENT GUIDE

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CONTRACTS

With Bank Executives

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INVESTMENT GUIDE

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

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

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

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

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

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

QUANTITY PRICES

2-4 copies \$20.00 each
 5-7 copies \$19.00 each
 8-10 copies. \$18.00 each

CONTRACTS

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

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

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

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

QUANTITY PRICES

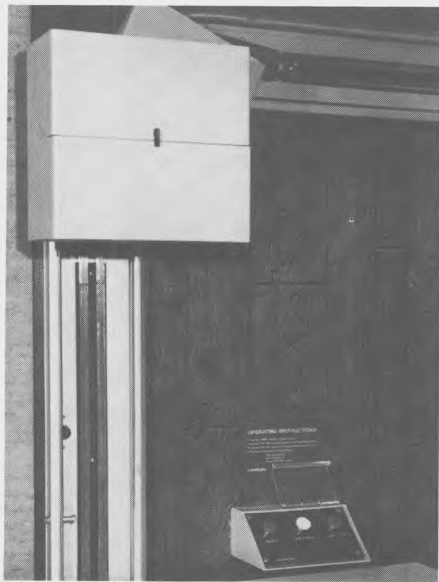
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ment prepared proposal drawings for the bank, showing a functional and efficient plan for its new branch — at the lowest possible cost, according to Mosler. The firm adds that Cattle National's management, when comparing the proposal drawing with the actual structure, was impressed with these ideas.

For a free copy of the brochure, write: Mosler, Dept. PR-181, 1561 Grand Blvd., Hamilton, OH 45012.

Mini-Safe Protects Film, Other Records From Fire

A mini-safe designed to protect computer magnetic media, film and paper records from fire, humidity and vandalism is offered by Burroughs Corp.'s Business Forms Division, Rochester, N. Y. Called the B/Max media safe, it has passed Underwriters' Laboratories tests for a Class 150, one-hour record container. Tests included endurance against fire, heat, dropping and expansion.



According to Burroughs, the safe also is designed to protect media from destruction by magnetic force. Its single-wall construction is said to provide high interior capacity and compact exterior design. Its compact size allows for storage of mini/micro computer media at point of use. Interior arrangements are configured to meet individual needs. A key-changing combination lock provides added security.

Write: Burroughs Business Forms Division, 1150 University Ave., Rochester, NY 14607.

rior and is secured with a snap latch. A key lock is available optionally.

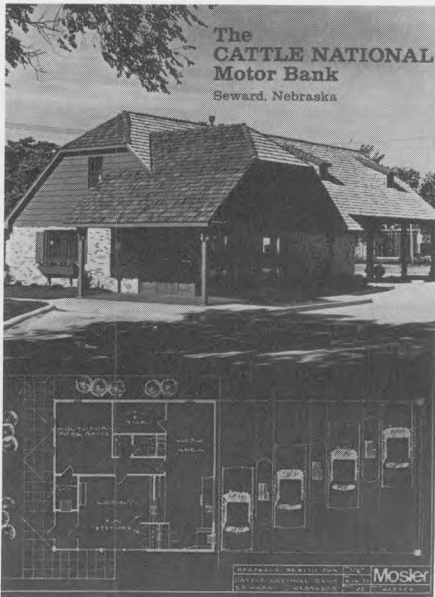
Control panels consist of send and return buttons and on/off switch. When the container is dispatched, "in transit" and "in use" lights are displayed at the send and receive stations. The "in use" light stays on until the container is opened, unloaded and closed. As an added safety feature, the container cannot be dispatched with the lid open.

Write: Diebold, Inc., Dept. E-79, Canton, OH 44711.

Motor Drive-Up Plan Featured in Brochure

The new motor branch of Cattle National, Seward, Neb., is highlighted in a brochure offered by Mosler Safe Co., Hamilton, O.

Mosler's facilities planning depart-



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Charlie Myatt, V.P.
Correspondent Bank Division



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Consolidated Statement of Condition

| ASSETS | December 31, 1979 |
|---|--------------------------|
| Cash and Due from Banks | \$1,334,661,403 |
| Interest-Bearing Deposits at Banks | 446,479,978 |
| Investment Securities: | |
| U.S. Treasury Securities | 489,103,404 |
| State and Municipal Securities | 325,652,293 |
| Other Securities | 120,060,836 |
| Total Investment Securities | 934,816,533 |
| Trading Account Securities | 253,930,712 |
| Federal Funds Sold and Securities Purchased under Agreement to Resell | 307,691,195 |
| Loans, Net of Unearned Income | 3,241,836,678 |
| Allowance for Possible Loan Losses | (27,319,615) |
| Direct Lease Financing | 61,818,377 |
| Bank Premises and Equipment | 87,766,452 |
| Customers' Liability on Acceptances | 265,324,902 |
| Other Assets | 126,925,618 |
| Total Assets | <u>\$7,033,932,233</u> |
| LIABILITIES | |
| Demand Deposits | \$1,681,681,882 |
| Savings Deposits and Certificates | 833,068,573 |
| Other Time Deposits | 1,234,444,453 |
| Deposits in Foreign Offices | 1,180,183,138 |
| Total Deposits | 4,929,378,046 |
| Federal Funds Purchased and Other Short- Term Borrowings | 1,266,547,261 |
| Acceptances Outstanding | 265,324,902 |
| Accrued Interest, Taxes and Other Expenses | 103,499,990 |
| Other Liabilities | 130,847,941 |
| Total Liabilities | <u>6,695,598,140</u> |
| STOCKHOLDER'S EQUITY | |
| Capital Stock (\$16 Par Value) Authorized, and Outstanding 3,137,815 Shares | 50,205,040 |
| Surplus | 155,439,760 |
| Surplus Arising from Assumption of Convertible Capital Notes by Parent Company | 2,540,100 |
| Undivided Profits | 130,149,193 |
| Total Stockholder's Equity | 338,334,093 |
| Total Liabilities and Stockholder's Equity | <u>\$7,033,932,233</u> |

DIRECTORS

CHARLES M. BLISS
President and Chief Executive Officer

STANLEY G. HARRIS, JR.
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ANGELO R. ARENA
President and Chief Executive Officer
Marshall Field & Company

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Retired Senior Executive Vice
President—Merchandising
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A. C. Nielsen Company

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and Director
Standard Oil Company (Indiana)

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Chief Executive Officer
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EDWARD J. WILLIAMS
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As of December 31, 1979, standby letters of credit amounted to \$241,454,012.

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INVESTMENT ADVISORY REPRESENTATIVE OFFICE: West Palm Beach, Florida

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ORGANIZED AS N. W. HARRIS & CO., 1882 • MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION, FEDERAL RESERVE SYSTEM

From the Boardroom

Yeo Leaves First Chicago; McDonough Is Successor

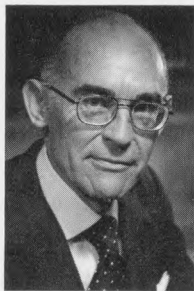
CHICAGO — Edwin H. Yeo III, asset and liability management committee chairman of First Chicago Corp., has resigned to become senior financial adviser to the city of Chicago. William J. McDonough succeeds Mr. Yeo and becomes the HC's chief financial officer.

Mr. McDonough had been executive vice president/worldwide banking department head. Succeeding Mr. McDonough will be James A. Cassin, who had been executive vice president/personal banking department head. Robert D. Riehley, senior vice president and Mr. Cassin's deputy, became head of personal banking.

Messrs. McDonough and Cassin joined the bank in 1967 and Mr. Riehley joined it in 1975.

Kimbrrel, Former ABA Head, Retires From Atlanta Fed

KIMBREL



ATLANTA — Monroe Kimbrrel, president of the Federal Reserve here for more than 12 years, will retire March 31. He was ABA president in 1962.

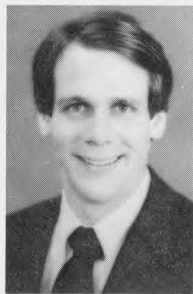
Mr. Kimbrrel was elected to the nine-man board of the Atlanta Fed in 1960. In 1965, the bank asked him to join its official staff as senior vice president. That same year, he was appointed to the second-ranking post of first vice president. In 1968, he advanced to the presidency.

Before joining the Fed, Mr. Kimbrrel was with the Farm Credit Administration in Columbia, S. C., and was chairman, First National, Thomson,

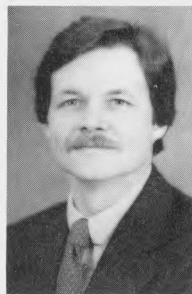
and Bank of Fort Valley, both in his native Georgia.

Mr. Kimbrrel will take up permanent residence in Thomson, where he will devote considerable time to his firm, Thomson Oak Flooring Co.

Springfield, Stephenson Named VPs in Nat'l Div. At First Tennessee Bank



SPRINGFIELD



STEPHENSON

MEMPHIS — First Tennessee Bank has appointed Dan Springfield and Tom Stephenson vice presidents/national accounts officers in its national division. Mr. Springfield, who joined the bank in 1979, handles accounts on the East Coast. Mr. Stephenson, who has been with the bank for seven years, travels in Texas, Missouri and the west territory.

Also, First Tennessee National Corp. and the bank named Steve Doyle and Ken Glass executive vice presidents. Mr. Doyle was a vice president/manager of the HC's community bank group. Dan Greer, a bank executive vice president/corporate credit administrator, was named executive vice president of the HC.

New senior vice presidents are Jim Riggan, Bob Beck, Joe Hardesty, Steve Ritchie, Tom Fowler, Pruitt Fulmer, Glenn Hodges, Herb Hilliard, Troy Barron, Joe Davis, Frank Bloom, Kelton Morris, George Robinson, Ralph Kelly, Ron Rainey and William Goodman.

Also, Walter L. Walker, president of LeMoyné-Owen College, has been named a director of First Tennessee Bank.

**"Flexibility?
We're your best
source for help
from import/export
financing to crop
production loans."**

Al Montgomery, V.P.
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Two giant steps for Mercantile Momentum.



We at Mercantile take extreme pride in announcing the election of two outstanding individuals to top management positions within our organization.

The Board of Directors has elected George L. Clark President and Director of Mercantile Bank. And Chairman of the Executive Committee, James B. Gardner, has been elected Vice Chairman of the Board.

Mr. Gardner has been with Mercantile since 1955, and Mr. Clark joined the bank in 1975.

We recognize and welcome the experience, insight and quality leadership each of these men brings to Mercantile's management team. And look forward to their participation in strengthening Mercantile Momentum even further as we enter into the 1980's.

 **Mercantile**Bank

Mercantile National Bank at Dallas P.O. Box 225415, Dallas, Texas 75265 (214) 698-6000
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Robert E. Aldridge has joined First National, Louisville, as senior vice president/correspondent banking head. He goes to the bank from First American National, Nashville, where he was correspondent banking division head.

Keith A. Wiegand has been named correspondent banking department head at Fourth National, Tulsa. He had been a vice president/commercial loan department. Prior to joining the bank in 1975, Mr. Wiegand was a senior bank examiner with the FDIC.



ASMANN

WIEGAND

ALDRIDGE

ANDRESS

Robert W. Asmann, executive vice president, Fourth National, Wichita, will head the banking division and be responsible for correspondent banking, credit cards, customer services, debit cards, marketing and product development and planning. The operations division, formerly headed by Mr. Asmann, will now be directed by *Leland F. Cox*, senior vice president/controller.

James C. Andress, senior vice president, First National, Mobile, has retired. He joined the bank in 1934 and was elected senior vice president/correspondent banking department manager in 1974.

David L. Scott, assistant vice president, has joined the correspondent bank division of Commerce Bank, Kansas City. He will be responsible for servicing correspondent banks in Oklahoma, Texas, Colorado and New Mexico. He joined the bank 16 years ago.



SCOTT

KEMPER

TESTERMAN

Rufus Crosby Kemper III has been promoted to vice president, United Missouri, Kansas City. He had been an assistant vice president and will remain in the bank's commercial division. Mr. Kemper joined the bank in 1977.

Larry Testerman was promoted to vice president/marketing at Liberty National, Oklahoma City. New assistant vice presidents are *Terry V. Anderson*, correspondent banking department; *Donna Finley*, corporate planning; *Linda Moore*, marketing, and *C. Dale Wythe*, auditing.

"Strong loan demand? We have significant capability for overline purchases."

Will Kelly, V.P.
Correspondent Bank Division



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Our "One-On-One" correspondent banking professional works closely with his coun-

terpart at your bank. His job: to coordinate financial resources, facilities and capabilities for maximum benefit.

At National Boulevard there's only one way—the One-On-One way—for us to work together. And when we do, we make a combination that's practically irresistible—and highly profitable.



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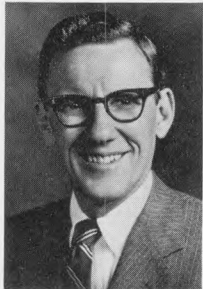
Four Officers Promoted; Three Directors Elected At Third National

NASHVILLE — Third National Corp. elected three new directors — Walter M. Robinson Jr., John E. Southwood and J. G. DeLacey.

Mr. Robinson is president, NLT Corp., a Nashville-based insurance holding company; Mr. Southwood is president, Third National Corp., and vice chairman of its lead bank, Third National, and Mr. DeLacey is vice chairman of both the corporation and the bank.

Messrs. Southwood and DeLacey joined the bank in 1952 and 1977, respectively.

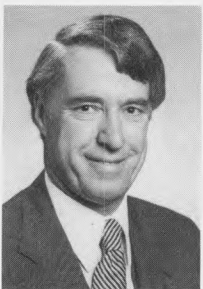
Also, Paula G. Keen was promoted to vice president/tax manager and S. Ebe Morehead was promoted to vice president/general auditor at Third National Corp. New bank vice presidents are David L. Dixon and William B. Dunlop. Miss Keen and Mr. Morehead joined the HC in 1977 and 1974, respectively. Messrs. Dixon and Dunlop joined the bank in 1969 and 1970, respectively.



ROBINSON



SOUTHWOOD



SCHMIDT



DeLACEY

New Senior Vice President At Republic Nat'l, Dallas

DALLAS — Republic National has promoted Keith A. Schmidt to senior vice president/credit division manager.

New vice presidents are David L. Baldwin, Deane E. Planeaux and John

H. Barr, trust officer. New assistant vice presidents are William P. Allen Jr., Jamie E. Jennings and John O. Neal Jr.

New trust officers are E. Lee Gamble and Curtis W. Page.

Three Employees Promoted At First Okla. Bancorp.



NELSON

OKLAHOMA CITY — Charles E. Nelson, executive vice president, First Oklahoma Bancorp., has been elected a director. In addition, John R. Preston will serve as board secretary; Barry J. Sobral, vice president and Rodney L. Steeves, assistant vice president.

Mr. Nelson joined the HC in 1978 and has served as president of First Data Management Corp. and is responsible for all nonbanking subsidiaries of the HC. Messrs. Preston and Steeves joined the bank in 1977 and 1974, respectively.

Three Receive Promotions At Mercantile Trust

ST. LOUIS — Mercantile Trust has promoted Patrick R. Costello to assistant vice president, Sharon S. Vinson to assistant trust officer and Keith C. Neu to assistant trust officer/assistant secretary.

Mr. Costello goes to the bank from Nationwide Financial Services Corp., where he was a product manager. Mrs. Vinson joined the bank in 1978 and Mr. Neu joined it in 1957.

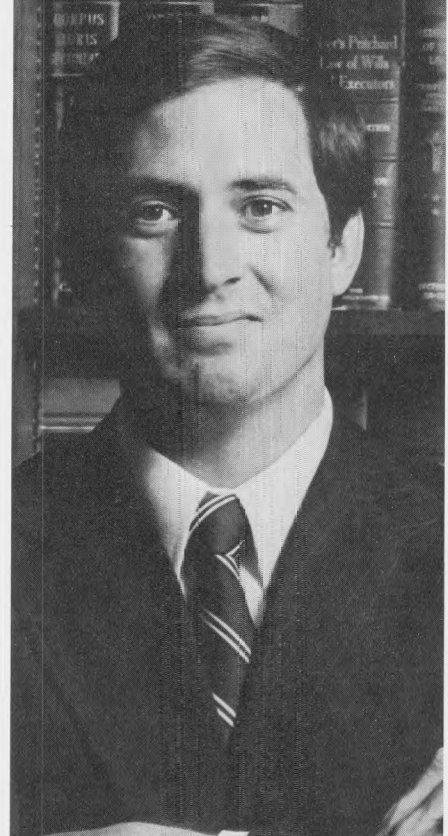
New Central Bancshares Trust Head

BIRMINGHAM — Charles S. Northen III has joined Central Bancshares of the South, Inc., as senior vice president/trust division head. He goes to the HC from First Alabama, where he was trust department head. He entered banking in 1960 at Birmingham Trust National and joined First Alabama in 1964.

His responsibilities at Central Bancshares will include managing the personal trust and employee benefit plan areas and other trust division areas.

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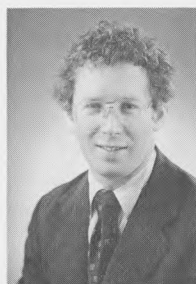
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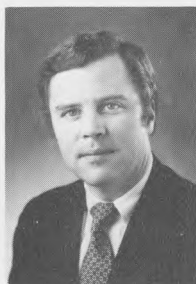
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Foy Named VP at Nat'l Blvd.; Schroeder Elected Director



SCHROEDER



FOY

CHICAGO — Richard T. Schroeder, executive vice president, has been elected a director and Laurence G. Foy has been elected a vice president at National Boulevard.

Mr. Schroeder joined the bank in 1967 as a credit analyst. He became an assistant vice president in 1972 and division vice president in 1974. In 1978, he was promoted to senior vice president and became executive vice president in 1979.

Mr. Foy goes to the bank from Garfield Ridge Trust, Chicago, where he was senior vice president. Also, he served eight years with Chicago's Continental Bank as vice president/relationship manager/multinational banking and was responsible for global banking account relationships of major multinational companies.

Halbrook, Sumner Promoted At St. Louis Fed

ST. LOUIS — Charles R. Halbrook has been appointed vice president and Randall C. Sumner assistant vice president of the St. Louis Fed.

Mr. Halbrook will oversee member banks and consumer affairs divisions, bank supervision and regulation department. He will be assisted by Mr. Sumner in administrative responsibilities of the two divisions. Messrs. Halbrook and Sumner joined the St. Louis Fed in 1956 and 1976, respectively.



HALBROOK



SUMNER

Genovese Named Chairman/CEO Of Two United Mo. Banks

Peter J. Genovese has been named chairman/CEO for both United Missouri Bank, St. Louis and Ferguson, Mo. Also, Mr. Genovese is executive vice president of United Missouri Bancshares, Inc., Kansas City. He had been president, United Missouri, Ferguson.

Robert D. Vieth has been named president of United Missouri, Fergu-

son. Mr. Vieth joined the bank in 1976 after nine years with the FDIC.

Thomas M. Utterback has been named senior vice president/commercial loans and business development at United Missouri, St. Louis. Mr. Utterback goes to the bank from a St. Louis law firm.

Charles A. Bowman has been named senior vice president/operations at United Missouri, St. Louis.

New Ass't Vice Presidents At First National

ST. LOUIS — First National has elected Timothy L. Drone, Shay Eikner and John R. Small assistant vice presidents.

Messrs. Drone and Small joined the bank in 1977 and 1976, respectively. Miss Eikner joined the bank in 1978 as an international banking officer following three years of service at National Bank, North Kansas City, a First Union Bancorp. affiliate. First National is the lead bank of First Union Bancorp.

County Nat'l Bancorp. Promotes Two

CLAYTON, MO. — County National Bancorp. has elected L. Gary Gross assistant auditor and David W. Bentele assistant controller.

Mr. Gross joined the HC in 1979 after spending five years as senior auditor of another St. Louis-based bank HC. Mr. Bentele joined the HC in 1979 and had been a senior accountant with Price Waterhouse & Co., St. Louis.

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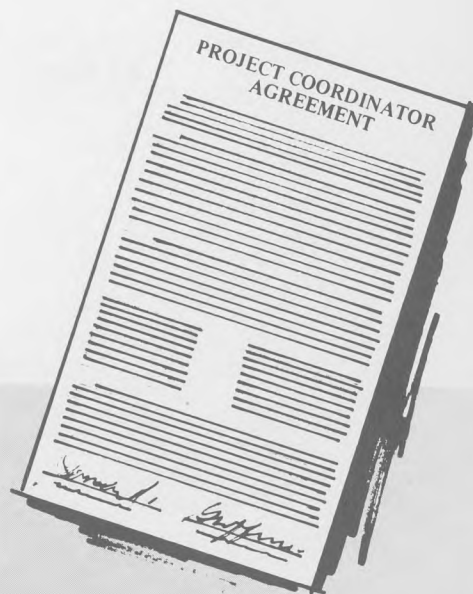
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Hargis Named Senior VP At Frost National



HARGIS

SAN ANTONIO — Frost National has promoted Norton Hargis Jr. to senior vice president and Michael S. Cain to vice president/real estate loans.

Mr. Hargis, who has been with the bank since 1978, is auditor for the bank and audit coordinator for Cullen/Frost Bankers, Inc. He is a certified public accountant. Mr. Cain joined the bank in 1972.

Baggott, Blake and Deibel Promoted in St. Louis

ST. LOUIS — George M. Baggott and Allen H. Blake have been elected senior vice presidents at Manufacturers Bank. Also, Peter L. Deibel has been elected a vice president.

Mr. Baggott and Mr. Blake were vice presidents, and Mr. Deibel was assistant vice president.

Three Employees Promoted At Whitney National

NEW ORLEANS — F. Joseph Beverung has been named auditor of Whitney National. Also, Shirley G. Bruning was promoted to assistant comptroller and William C. Hutchinson to assistant auditor.

Messrs. Beverung and Hutchinson joined the bank in 1958 and 1969, respectively. Mrs. Bruning joined the bank in 1942.

Frick Appointed Exec. VP At Bank of America

SAN FRANCISCO — Executive Vice President Kenneth V. Larkin has been given broader responsibilities for Bank of America's consumer financial services. Also, Robert W. Frick has been appointed an executive vice president at the bank.

Mr. Larkin will head expanded activities in planning and marketing in

support of consumer banking services. He will devote more time to his duties as the bank's chief spokesman on consumer issues and will continue as chief policy maker for the bank's credit card programs. Mr. Frick will head the bank's world banking division financial services, a newly formed administrative section. Mr. Frick had been senior vice president/managing director of the bank's merchant banking subsidiary, Bank of America International Limited (BAIL).

Two Employees Promoted At Commerce Bank

KANSAS CITY — Commerce Bank has promoted Richard E. McEachen to executive vice president and George L. Hiller to vice president.

Messrs. McEachen and Hiller joined the bank in 1975. Mr. McEachen is trust division manager.

Arkansas Banker Appointed To Fed Branch Board

ST. LOUIS — The St. Louis Fed has appointed William H. Bowen, president, Commercial National, Little Rock, to the Little Rock Branch board.

Also, the St. Louis Fed has reappointed Howard Brenner, vice chairman, Tell City (Ind.) National, to the Louisville Branch board and Earl L. McCarroll, president, Farmers Bank, Blytheville, Ark., to the Memphis Branch board. Each director was named to a three-year term.

Pyle Promoted at Hutchinson Nat'l

HUTCHINSON, KAN. — Bernard L. Pyle has been promoted to assistant auditor of Hutchinson National. Mr. Pyle joined the bank in 1979.

Three Receive Promotions At Bank of New Orleans

NEW ORLEANS — Bank of New Orleans has named Kenneth A. Hall senior vice president/commercial lending division, Charles D. Catlett vice president/bank card department and Daniel Hilsabeck assistant vice president/leasing representative.

Messrs. Hall and Catlett both joined the bank in 1979. Mr. Hilsabeck joined it in 1978.

Winders Named Vice President

LOUISVILLE — First National has named Terry J. Winders vice president/leasing.

Crow, Gatewood Elected Senior Vice Presidents

HOUSTON — First City National has elected Michael R. Crow and E. Michael Gatewood senior vice presidents.

New vice presidents are Susan A. Childers, L. Kent Densley, David C. Farries, Robert J. Moses and Frank Schunka. Alexander C. Baker and John J. Kutac were elected vice presidents/trust officers.

New assistant vice presidents are Michael H. Dunlap, Linda F. Masera, Leslie McManis, Jose Nieto, Gary Piper and Charles Wisnoski.

David M. Carmichael was elected a director and Grover Ellis an advisory director. Mr. Carmichael is chairman/CEO of WellTech, Inc., and Mr. Ellis is executive vice president/manager of the bank's domestic banking division.

Messrs. Crow and Gatewood joined the bank in 1972 and 1973, respectively.

Four Promoted at Fourth Nat'l

TULSA — Fourth National has promoted Susan B. Brown to vice president/controller, Kenneth Barton to vice president/cashier, William Beatty to assistant vice president/assistant secretary and Mary Anne McGivern to assistant cashier.

Mrs. Brown and Miss McGivern joined the bank in 1976 and 1979, respectively. Messrs. Barton and Beatty joined the bank in 1978 and 1975, respectively.

Three Promoted at First NBC

NEW ORLEANS — Joseph V. Wilson III has been promoted to assistant treasurer of First Commerce Corp. and senior vice president of First National Bank of Commerce. A. James Durica has been elected senior vice president/financial reporting and control and Robert G. Ryder has been elected vice president/manager, real estate department.

Messrs. Wilson and Durica joined the bank in 1975 and 1979, respectively.

Nicholas Named Assistant VP

BIRMINGHAM — Robert W. Nicholas has been named assistant vice president of First Alabama. Mr. Nicholas is recovery manager in the bank's operations center. He joined First Alabama in 1975 as a bank card collection manager following six years with a local finance company.

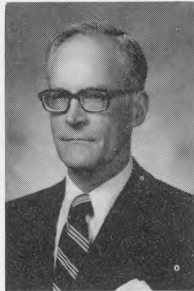
Fieldman Named Trust Officer

CHICAGO — Mary D. Fieldman has been elected a trust officer at Harris Bank. She joined the bank in 1978.

Fitt Elected Director of Bank

KANSAS CITY — Michael G. Fitt, president of ERC Corp., has been elected a member of First National's directors' advisory council.

New First of Amarillo Director



RUSH

AMARILLO, TEX. — J. Avery Rush Jr., president of the oil and gas unit of Diamond Shamrock Corp., has been elected a director of First National.

Check Pickups, Deliveries Go Faster at Continental With Helicopter Service

CHICAGO — To expedite deliveries and pickups of checks between the downtown area here and O'Hare International Airport, Continental Bank last month established what is said to be Chicago's first bank helicopter service. The bank processes more than 2,000,000 checks a day for collection through the nation's banking system.

Most checks processed each day by Continental, representing more than \$2.5 billion, pass through O'Hare aboard 195 private and commercial flights into and out of the world's busiest airport. Check pickups and deliveries at the airport every 30 minutes had been handled by special ground couriers who traveled to and from O'Hare over a 22-mile route of city streets, expressways and toll roads.

"Even with careful planning, motor couriers cannot always guarantee the speediest delivery," says Richard M. Gladziszewski, vice president and head of check-processing operations.



Checks processed for clearing through nation's banking system are placed aboard helicopter by Richard M. Gladziszewski (l.), v.p. and head of check-processing operations, Continental Bank, Chicago. Assisting is James J. Roti, 2nd v.p. and mgr., distribution services unit. Bank began using helicopter service between O'Hare International Airport and bank's downtown check-processing facility early last month.

"Given the best of conditions, the average one-way ground time takes approximately 25 minutes. It has been our experience, however, that 45 minutes per trip is the general rule rather than the exception. And bad weather as well as spontaneous traffic congestion can further disrupt a carefully planned route schedule."

Flying times for helicopters between downtown and O'Hare are expected to average nine minutes, according to Mr. Gladziszewski. He points out, "Helicopter deployment to hasten check deliveries is a vivid illustration of Continental Bank's commitment to our customers and the nation's payment system."

Checks deposited for processing last year at Continental, the nation's seventh largest commercial bank, increased more than 14% over 1978. The growth-rate level for 1980 is expected to be no different, Mr. Gladziszewski adds.

Currently, 97% of all dollars deposited daily, or \$2.4 billion, are made available to Continental's check-processing customers in one day or less.

Woods Elected Director

PHOENIX — Sidney S. Woods, president of Woods Co., a Yuma produce firm, has been elected a director of First National of Arizona.

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Three Promotions Announced

KANSAS CITY — N. J. Starkey has been named executive vice president, Mercantile Bank. New vice presidents are Dorothy Van Horn, Christian-Ralph Braun and L. W. (Jerry) Jurden III. Mr. Jurden goes to the bank from a local industry and is part owner of Archie (Mo.) State. Also, he is a certified public accountant.

Money-Market Funds

(Continued from page 10)

savings deposits, which is proposed in the Thrift Equality and Deregulation Act.

The five-year phase-out also would bring relief more speedily to small savers. NOW accounts and other consumer interest-bearing transaction accounts (automatic savings-to-checking transfers, for example), which are types of savings accounts, should be available to individuals, households and nonprofit organizations, but not to public units. The existing statutory prohibition should be retained on payment of interest on demand-deposit accounts.

As an immediate step to help small savers, members of the Banking Leadership Conference called for an end to the interest-rate gap between what banks and specialized thrift institutions may pay to attract deposits at the beginning of the period during which Regulation Q is phased out.

In the meantime, as of this writing, the House Financial Institutions Supervision Subcommittee was continuing a round of hearings on the question of reforming Reg Q. (Simultaneously, the Senate Banking Committee once again was tackling the Federal Reserve issue.) Along with nationwide NOW accounts, Reg Q reform and the Fed issue are parts of a broad legislative package that evolved last year.

It was expected that members of the House-Senate conference committee would begin meeting again in early March to make final decisions on that legislative package. The political linkage of the package's elements remains in force. Because a federal Appeals Court decision prohibiting bank automatic-transfer services, credit union share drafts and S&L remote-service units will take effect March 31 unless Congress acts, it is believed that congressional action will come before that deadline. ●●

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In Nashville
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ATM Program

(Continued from page 32)

experience, are for the ATM hardware itself. The remaining costs can be attributed to cost of supplies, equipment, personnel and other out-of-pocket expenses associated with developing, operating and marketing the service.

It is these latter costs that often are

unplanned by management. These costs, furthermore, are highly variable from institution to institution. To demonstrate this variability, when measured on the basis of cost per ATM installed, we have seen costs vary from a low of \$28,000 to a high of \$90,000. But, interestingly enough, on a per-transaction basis, we have found an inverse relationship between cost per ATM and cost per transaction. That is, successful ATM programs often result from a commitment by bank management to succeed. This commitment is tangibly expressed by personnel and

equipment resources and sizable advertising and promotional budgets — which result in high customer-ATM-usage patterns and lower overall cost per transaction.

This latter phenomenon is explained by the fact that (typically) 80% or more of ATM costs do not vary materially with volume of ATM transactions. As a result, those who understand this relationship also understand that an increasing volume of transactions on ATM units has a double-barreled effect: It reduces customer dependence on manned teller services and, at the same time, reduces costs per transaction at the ATM. It is important therefore, when defining and measuring success, to understand not only the obvious costs of an ATM program, but also the: (a) hidden costs and (b) cost behavior relative to volumes of transactions.

Know Your Customers. The bank's largest market for any service is its base of existing customers. Of principal concern to an ATM program, therefore, are composition and size of the bank's existing retail deposit customer base. ATMs mostly (but not exclusively) appeal to the younger segment of the banking public. The segment of particular interest to banks can be described as having the following general characteristics:

- Age 18 to 45 years; and in the
- Lower-middle- to upper-middle-income group.

This same segment most probably is the bank's heaviest users of other convenience banking services, such as drive-up/walk-up teller windows and of extended banking hours. If volumes of transactions are to be important criteria in measuring the success of a bank's ATM program, management must determine there is a significant base of likely users among its existing retail checking-account customers.

The term "significant number" will vary with circumstance and objectives of the ATM program. In our experience, about 15%-25% of ATM cards issued will be used in an ATM in any given month for a well-established program. Because more than one ATM card typically is issued per account, a "significant number" of accounts in our view are at least 10,000-12,000 ATM cards issued per ATM, or 6,000 to 7,000 demand-deposit accounts per ATM, depending on which measurement you prefer. We have, however, seen community banks issue as few as 4,000-5,000 cards for four ATM locations.

(Continued on page 82)

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In addition to knowing that the bank has a significant number of customers on which to base an ATM program, it also is important that management know that these same customers have been preconditioned by the bank to accept certain service charges, or lack of service charges, for specific levels and types of services. Offering an ATM program is an enhanced convenience to customers that may present an opportunity to introduce a new service-charge structure, encompassing the ATM. This facet of an ATM program often is overlooked or cast aside by management for competitive reasons. Offering the program free to customers may, in fact, be necessary in some circumstances. We note, however, that some banks have successfully incorporated their ATM service into a "club-type" account with attendant service charges. For example, community banks in Tennessee and Kansas are charging from \$1 to \$2.50 a month for club accounts that utilize ATMs. This latter approach, or some similar adjustment in service-charge structure(s) of the bank, frequently is in order. Among reasons for adjusting service charges coincidental with an ATM program are to:

- Defray or recover costs of the ATM program.
- Discourage accounts with low balances but high volumes of transactions.

Market Program Aggressively. Unless your ATM program is marketed aggressively, you may never attain the original goals and objectives established for this electronic service. Our experience in this area indicates that one of the more frequent reasons for lack of success in an ATM program is that of not effectively marketing the program. As a result, these banks usually believe that the ATM service has failed when, in fact, it has never been effectively sold to customers.

On the other hand, one of our clients, First American National, Nashville, has one of the country's most successful ATM programs. Called "Anytime Tellers," the program began in 1976 with installation of 10 ATMs. The units were placed in six of the bank's 32 branches; three in grocery stores and one in a shopping center. Under the direction of James W. Smith, executive vice president, the bank's volume on its current 14 Anytime Tellers is nearly 180,000 transactions per month, with two ATMs approaching 24,000 transactions per month. The bank's 1979 Anytime Teller transaction cost of \$0.48 is expected to decline further as volumes of transactions continue to increase.

First American's original marketing strategy included a desire to: (a) offer the Anytime Teller service to its entire customer base; (b) offer a dependable and reliable on-line system and (c) provide a convenient system of Anytime Tellers as far as location was concerned during banking and nonbanking hours.

To achieve its overall objectives, the bank proceeded to:

- Concentrate on employee training and education so that the bank's 1,300 employees could effectively sell the ATM service.
- Provide a cash incentive designed to encourage employees to promote the Anytime Teller.
- Provide a promotional gift to customers to serve as an incentive to use the ATM card for the first time.
- Utilize employees stationed at the ATM to demonstrate the service, assist customers and answer questions.
- Promote the service through local advertising media.

According to Mr. Smith, "Wide acceptance of the Anytime Tellers by the bank's customer base has provided a sufficient volume of transactions to allow the bank to install four additional ATMs in 1977, and the end is not in sight." He further states that "... The Anytime Teller service has, in effect, made a vital contribution to protecting its market share of approximately 40%, while providing customers a method to bank at their convenience."

Thus, First American believes its service-delivery objectives of: (a) improving customer services, (b) reducing lobby traffic, (c) providing an alternative to Saturday and extended evening hours and (d) providing a basis for future electronic services has been achieved through effective marketing of the ATM program.

Summarizing then, in our experience, elements of successful ATM services are clear objectives, understanding and measuring cost behaviors, knowing your customers and effective marketing programs. ●●

EDITOR'S NOTE — For further reading on this subject, we suggest "EFT Strategic Planning and Cost-Benefits Manual," a highly informative document published by Peat, Marwick, Mitchell & Co., developed by a grant from the Graduate School of Banking, University of Wisconsin, Madison; and "Automated Teller Machines: A Cost-Effectiveness Review," a document published by the Bank Administration Institute, 303 S. Northwest Highway, Park Ridge, IL 60068.

Salary Expense

(Continued from page 12)

business with a person, and that person must fit the image they seek and must be knowledgeable.

Recently, three members of the New York state attorney general's office visited branches of 63 banks in New York City posing as potential depositors. At 29 branches, they were quoted CD rates of less than the maximum — an error of more than 46%! A large amount of money is spent on advertising to get people into banks; yet those employees are not quoting correct rates. Quality personnel? Lack of training? Ineffective supervision? Poor attitudes? Lack of motivation? The answer could lie in one or more areas, but the above situation dramatically points out the need for quality personnel.

In summary, 1980 promises to be a real challenge to bankers, and salary administration and/or personnel administration looms as one of the most vulnerable areas. Responsibility for this important function must be in the hands of someone suited to the task, someone who has a feel for people and yet someone with the patience and perceptiveness to take a general-policy guideline and put it to work for the bank. Experience with people is more important than general banking qualifications. Yet that person must know each position in the bank to be able to discuss it. It's essential that he or she be able to communicate with and understand today's youth — in short, a genius. ●●

Big Brother

(Continued from page 8)

estimated at \$293 million. This exceeds any plausible estimate of benefits. It would be extremely difficult to put into an economic model the social costs of implementing HUD's proposal. However, some of the economic costs of the implementation could be projected easily.

More fundamental to this area is the concern of social scientists about the almost stagnant level of productivity the United States has been experiencing for the last several years. One of the basic reasons for the drop in American productivity (which a gener-



Charles E. Foret
Vice President
and Manager

Jus Help'n



Carroll Griffith
Vice President

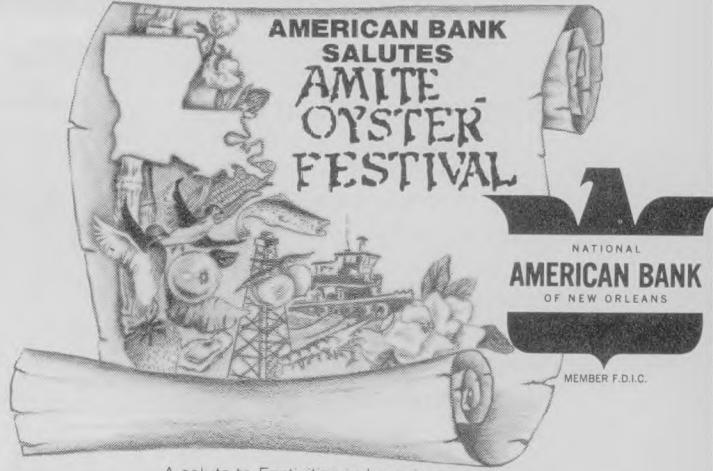
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The Amite Oyster Day, Inc. Festival had its origin in 1976 and is celebrated annually in Mid-March at the Tangipahoa Parish Fair Grounds.

Special Events: Parade; Greased Pig; Greased Pole; Sack Races; Egg Rolls; Dunking Machine; Oyster Eating Contest; Street Dance; Midway Arts & Crafts; Food & Drinks.



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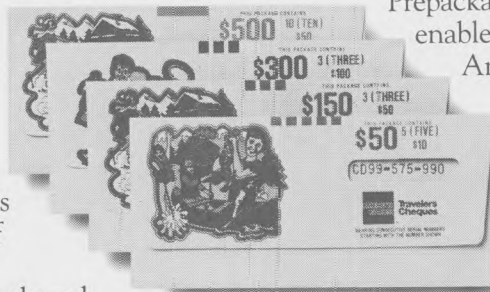
required, completely eliminating the need for assembling and counting loose cheques.

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

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



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

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

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

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ation ago approximated a 3% rise annually) has been the nonproductive, in fact counterproductive, nature of regulations emanating out of bureaucratic Washington.

If the proposed regulation is implemented, it will be another example of Washington's counterproductivity, of needless regulation, of regulations that restrict the right of property owners to state factual truths about their property, of burdensome bureaucratic interference and an abrogation of the right of free speech granted by our Constitution. Personally, I prefer to be guided by the U. S. Constitution rather than by big brother in HUD. ●●

Check Safekeeping

(Continued from page 16)

cause an item is lost, would constitute "unjust enrichment."

3. Identifying an indicator that says the checks are non-returnable in the pilot. As Mr. Milano explains it, this indicator, known as a truncation identifier, is to be located in position 44 of the MICR line. This usually is a blank space between the routing/transit number and the check number on a corporate-size check. Mr. Milano says that a check marked with this indicator will be called a *trek*.

The MICR line is said to be the most controversial issue facing the check-safekeeping task force just as it has been within the check-processing industry for about 20 years. With check truncation on the horizon, the MICR line will have even more demands made on it than formerly.

In choosing position 44 for the indicator for truncatable checks, the task force wants to help banks taking part in the truncation test, but not do anything detrimental to operations of the many nonparticipating banks.

Mr. Coriaci says he believes his group will have results on the test by mid-April or early May. Then, it will be ready for the next step, which will be to actually line up some corporations and some banks to start testing live documents later in the year.

There are six goals for the pilot, according to Mr. Hollis, who lists them in an ABA publication called *Check Safekeeping: A Proposal for Inter-Bank Check Truncation*:

"First, we want to confirm the benefits. We have done some macro analysis on potential savings to commercial banks in bank-of-first-deposit

The ABA has published two booklets on check safekeeping:

Check Safekeeping: A Task Force Report on Check Truncation. This is a summary of task force and subcommittee findings, 1978. Order No. 060900.

Check Safekeeping: A Proposal for Inter-Bank Check Truncation. This is a summary of presentations introducing the ABA check-safekeeping pilot, 1979. Order No. 063200.

Each is \$15 for ABA members, \$25 for nonmembers. Write: Gerard F. Milano, associate director, operations/automation division, American Bankers Assn., 1120 Connecticut Ave., N.W., Washington, DC 20036.

truncation. We need to confirm this with quantitative data gathered from a live pilot.

"The second point we wish to measure is customer reaction. We are interested in finding out who wants to participate and who does not want to. We can gain experience as to what are customers' real needs.

"The third point is that we think the pilot is the best way to select the appropriate methods for identifying items for the purpose of truncation. . . . Final selections of which alternatives to be tested will be left to a series of working committees we expect to assemble shortly.

"As most of you know, there are pros and cons to each approach in the pilot. Check printers see huge one-time costs in including a check digit in a sequential number, and the incidence of misreading data in this field is relatively miniscule. Check-processing equipment manufacturers see difficulty in implementing the 44th position on the MICR line. The proposal to change the routing number could cause all banks around the country to adjust their sorting logic.

"Fourth, the legal committee established by the task force is making substantial progress. While we don't have model inquiry retrieval agreements available today for the first bank of truncation, the committee is working toward it.

"Fifth, there has been a certain amount of overlap among the various groups studying the data for a multiple number of purposes. During the pilot, we will clarify these relationships. We will take the work that has been done elsewhere, such as by NACHA, the Fed and ANSI, without duplicating their work. Similarly, vendors and suppliers have experts who can pro-

vide assistance. Included among them are those who can provide the interconnect among banks in the pilot. This could be the Fed, Bank Wire, VISA, Interbank or someone else. We are looking for advice and assistance from people who operate such networks in achieving reliability on such a system. A third group we have to cooperate with in the initial pilot is community bankers. We have not identified any way they can play in the pilot, but we do want to rely on their knowledge. We haven't identified any way in which they can play because of the need for retrieval and inquiry systems and lack of an appropriate corporate account. Nevertheless, we are inviting two community bankers to join our task force so they can share in the experience of this pilot and also to make us continually aware of their needs.

"Lastly, to meet the Uniform Commercial Code (UCC) return requirements and to provide rapid response to customer inquiries, we need a multiple-bank test of a retrieval mechanism."

In answer to banks that may not want to go into check safekeeping, Mr. Coriaci had this to say at the Bank Marketing Association's EFTS conference in January: "How many of your banks, from time to time, receive a call from your corporate customers asking for information about their demand-deposit accounts? A check question, a statement question, etc." (A show of hands followed.)

"That's interesting! Since we conveniently return checks today, issue daily, weekly, semimonthly or monthly statements and/or provide account-reconciliation services.

"We do a nice job of packaging or boxing our customers' checks and returning them. Our customers probably take the packages, label them and send them to their warehouse facilities. The point I'm making, fellow bankers, is that many of our corporate customers clearly rely on us today for retrieval. Our safekeeping pilot effort will not alter this phase of our current check service materially other than, of course:

"That we will be required to retrieve one another's items and

"The system we are proposing will be only as good as the weakest retrieval process, which means that the weakest must be 'excellent,' not just 'good.'"

Mr. Coriaci advised his listeners to, first, explore and consider converting to bulk filing if they're not already there; second, experiment with safekeeping checks at their own banks, and ultimately, all banks will go to a national safekeeping system. ●●



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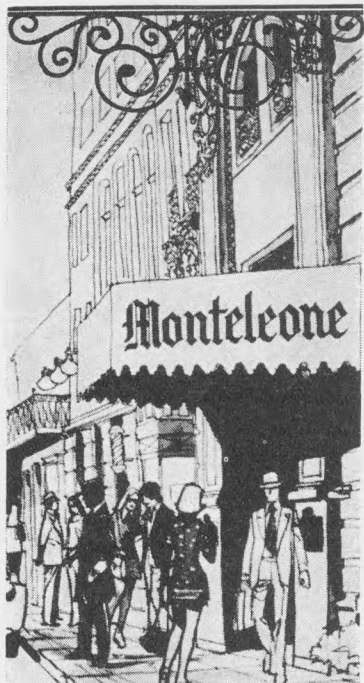
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Check-Storage Pilot Program Successful at Valley Bank

A CHECK-SAFEKEEPING PROGRAM has been in effect at Valley National of Arizona, headquartered in Phoenix, since February, 1979. That program is an *intra* check-safekeeping program, as opposed to the ABA's *inter* pilot program described elsewhere in this issue.

In other words, Valley Bank is keeping only the checks of its own customers. The ABA pilot involves banks keeping checks for other banks.

According to Robert V. Sabeck, executive vice president/systems planning and operations at Valley Bank, at mid-year 1979, his bank ranked 28th in size among the 14,000 commercial banks in the country; it had total resources of nearly \$5 billion, total deposits of about \$4.3 billion and loans of more than \$3 billion. There are about 190 branches in 60 communities throughout the state, and the bank has some 6,000 employees. He adds that Arizona is one of the three fastest-growing states in the nation, with an extremely competitive and expansive financial environment.

Valley Bank's pilot program, called Courtesy Check Storage (CCS), actually is not a true truncation system, Mr. Sabeck points out, because real truncation is where checks are captured at the first bank of deposit. The program's long-range objective is for 20%-25% of the bank's nearly 500,000 demand-deposit base to take advantage of the service. With estimated savings of \$1.75 to \$2 per account per year, the potential is impressive, continues Mr. Sabeck, who adds that to date, the bank's predictions are close to being on target.

Before going into the program, Valley Bank made some studies and learned from other banks that many people simply don't reconcile their checkbooks at the end of the month, that many checking-account customers store their checks without even looking at them and that some review their canceled checks at tax time, but that a substantial number of taxpayers file short forms.

As Mr. Sabeck puts it, the bank believed its customers were trying to say, "We are ignoring this paper because it's an unnecessary complication in our lives."

Thus, it was decided it was time to test a check-storage program and see how well it fits the needs of the bank's customers. The objectives were to see what customers really wanted and/or needed and how the bank could best respond in a quality, cost-effective manner.

In selecting a test market, Valley Bank decided, first of all, that it needed the full support of the branches involved; it needed local management and staff who would carry out this effort and not be apologetic, and the bank also wanted to "isolate" the pilot geographically and confine it as much as possible to that particular customer base. It also decided not to market this new service and to keep a low profile on the project while determining that it could be supported operationally.

Major and critical service considerations were numbers of inquiries that might be received, length of time required for the bank to respond and quality of photostatic copies of the checks.

Valley Bank selected the Kingman district in the northwestern corner of Arizona, an area that includes the Colorado River communities. The district, according to Mr. Sabeck, possessed all the characteristics the bank was seeking: five branch offices, servicing approximately 12,000 personal checking accounts; customer demographics that provided a good mix of age groups, working and retired; a marketplace, though geographically isolated from major metropolitan centers, that contains representative competitive influ-

(Continued on page 90)

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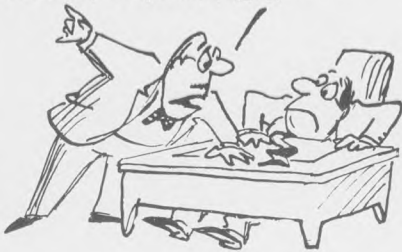
"YOU KNOW THAT MORTGAGED PROPERTY ON THE NORTH SIDE OF TOWN THAT WENT UP IN FLAMES LAST NIGHT? WELL, FLANAGAN FORGOT TO RENEW THE INSURANCE POLICY."



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ences; and branch-office management and staff personnel who exhibited positive outlooks in experimental participation.

With the area selected, the bank needed volunteers to take part in the pilot. The bank simply designed a negative-response letter to personal-checking-account customers, explaining the program and giving them the option of not participating.

In the first of the two letters, customers were advised, "A good financial service should offer you simplicity, security and convenience. I believe that we have developed such a service in what we call Courtesy Check Storing. This new service will solve canceled-check storage problems for you and will provide safe and sure availability of canceled-check information when you need it." The letter, signed by the local branch manager, then explained, step by step, how the program works.

It concluded, "If for any reason you do not want to take advantage of Courtesy Check Storing, then just complete, sign and return the enclosed card. Otherwise, the service will begin for you after your January, 1979, statement is received."

Lack of negative response to this letter made the bank uneasy, says Mr. Sabeck. Almost 60% of the customers seemed to be accepting the plan. That level of acceptance obviously was suspect. Therefore, to make sure customers knew what they were getting into, the bank followed up with a second letter, thanking them for agreeing to take part and explaining the program once more. Even after that, Valley Bank ended up with over 40% of its personal checking-account customers in the program.

Mr. Sabeck re-emphasizes: "We achieved these results with absolutely no marketing, other than those two letters to our customers."

When the program began in February, 1979, there were 6,000 participating DDA customers, but that number fell off to 4,000 last November, or a little better than 30% participation. According to Mr. Sabeck, that attrition is the result of normal account closings and the bank's low-profile marketing and sales effort, not selling new accounts on the service. He adds that only 124 new accounts of the 3,400 opened during the pilot were put on the program. However, he cautions other bankers to remember that "our objective was to test our ability to support the operational requirements," not get a lot of customers into the program.

About seven months into the pilot

and satisfied that it could support the service properly, Valley Bank conducted a customer survey. A questionnaire was sent to a large percentage of participants and nonparticipants, and, says Mr. Sabeck, response was extensive enough to establish the survey's validity. On a scale of one (don't like) to seven (extremely well liked), participant responses weighted out 5.6. Four out of five really liked the service and would recommend it to friends. They said it was convenient, saved critical storage space and was safer than storing canceled checks at home.

When asked what they liked least, two-thirds said there was *nothing* they disliked about the service. More than one third said they found it faster to balance their monthly statements.

Those who dropped out of the pilot gave as reasons, "We didn't know what we were getting into" or "We decided that we needed our checks after all."

So, says Mr. Sabeck, as a pilot to determine what his bank's customers want and need, this obviously is an attractive and desirable service to some of the bank's customers.

The absolute solid true test of how badly customers needed their canceled checks is the small number of photocopies that have been requested, according to Mr. Sabeck. From February through mid-November, the bank accumulated a stored base of 1,081,800 checks. Of those, the bank supplied photocopies of only 629 checks. As a percentage of what Valley Bank normally would have returned, that is six ten-thousands of 1%. He gives this example: If a person writes 20-30 checks a month, 12 months a year, and stores them for 10 years, the odds are long they will not have to go back and find one as proof of payment.

Most people think of income taxes when considering the supposed need for canceled checks, Mr. Sabeck continues. They are concerned about evidence for an IRS audit. Actually, he points out, canceled checks simply are proof of payment, and that's all. If they are all a person has to substantiate his deductions, he has problems.

Mr. Sabeck says the bank's pilot project validated its capability to deliver on a service level satisfactory to the bank. Immediate responses can be provided customers on branch-telephone requests, through a Pacer software package, accessed via a cathode-ray tube (CRT). By telephone, Valley Bank can tell a customer that a check was paid, date it was paid, check number and amount of the check. The only things the Pacer can't provide for phone inquiries, he con-

tinues, are the payee's name or endorser's name. A customer can be provided with complete information within three days, via a photocopy.

"It is obvious to us," says Mr. Sabeck, "that the information and photocopy-retrieval systems meet our criteria for success. And that's been the critical point where most other pilot truncation programs have failed in the past."

The bank's service evaluation, plus customer-survey information, resulted in the bank's offering the service in another area, as sort of a second phase of the pilot. Northeastern Arizona, which shared many of the same criteria of the first area, but has fewer retirees, was chosen.

There followed staff training, preparation of two letters similar to those sent the first time, except that they also described the success of the Kingman pilot, and a small educational brochure. The marketing program also included news releases, interviews with reporters, branch visitations, meetings with attorneys, accountants and speeches before civic groups. All this was done to enhance the program's acceptability.

The bank's savings per account compared to those accounts that are returned canceled each month is about \$1.68 per year. Bulk filing will reduce total document-processing costs substantially, but, adds Mr. Sabeck, by eliminating fine sorting of CCS-account items, the spread between the two increases to \$2.28 per account per year, using today's costs.

Perhaps even more importantly, according to Mr. Sabeck, CCS is an excellent way of conditioning the market to paperless financial transactions of tomorrow — like the ATM, telephone bill paying, SurePay, automatic deposits, pre- and post-authorized bill paying, point-of-sale terminals and other new services coming on the scene that will not initiate a piece of paper to return.

The bottom line to Valley Bank's pilot is that its truncation experiment has been a success. The bank is happy with it, says Mr. Sabeck, and is completing plans to go system-wide with it on an optional basis. Not only that, but the bank is planning to implement its bulk-filing program this year.

"The real bottom line — substantial cost savings — won't be realized," concludes Mr. Sabeck, "until we have gone statewide with both truncation and bulk filing, and if 20%-25% of our customers also have elected to sign up for Courtesy Check Storage, the savings potential is really great." ● ●

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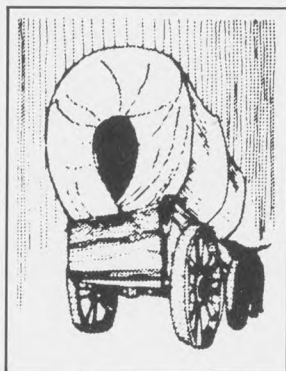
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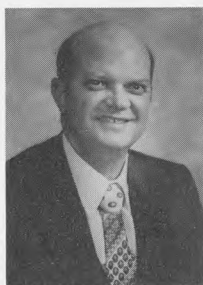
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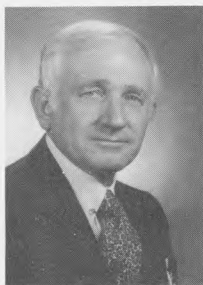
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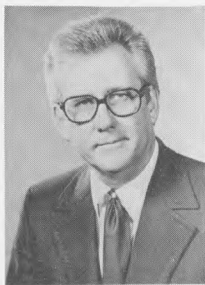
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THOSE THRILLING days of yesteryear when riverboat men piloted the Mississippi will be relived by swashbucklers attending the Louisiana Banker Association's convention April 10-12 at the New Orleans Hilton Hotel.

"Riverside Rendezvous" is the theme of this year's nostalgic convention. Even the usual Las Vegas party has been renamed "Riverboat Gamblers' Party" to coincide with the theme.

Naturally, those at the helm who want to steer a smooth course through high interest rates, double-digit inflation and increasingly burdensome government regulations need accurate navigational information. That information will be provided in part on April 12 by a panel on "One-Bank Holding Companies" that will be moderated by Embree K. Easterly, president, Capital Bank, Baton Rouge. Panelists will include Ivan D. Fugate, chairman/president, Western National, Denver, and immediate past president, Independent Bankers Association of America; William P. Johnson and John J. Kendrick Jr., attorneys from Denver and Dallas, respectively.

LBA President H. Graham Schneider will give the association's annual report on April 12 and will be followed by ABA-President Elect Lee

E. Gunderson, president, Bank of Osceola, Wis.

On the entertainment side, swashbucklers may try their hands at "Paddle Wheelers' Bingo." The "Riverboat Gamblers' Party" will be held from 4-6 p.m. April 10. All chips and gambling "money" will be issued guests when they arrive at the party. According to the LBA, no money will change hands. Chips may be cashed in for prizes.

A large banking trade show will be held in conjunction with the convention. To complement the convention's theme, exhibitors will host a "Levee Party" for convention attendees.

During Saturday's luncheon banquet, a 50-year banker, J. E. Cummings, president/director, Bank of Sunset, will be honored.

The convention will close following Saturday's dinner dance.

LBA Officers. Mr. Schneider, LBA president, has been president of First National, Lake Providence, since 1970. He joined the bank in 1968.

LBA president-elect is Crawford A. Bishop, president, Bank of Gonzales, a post he has held since 1971. Mr. Bishop joined the bank in 1958 and was promoted to cashier in 1960.

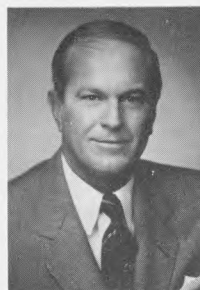
LBA treasurer is John Kenaley, president, Hub City Bank, Lafayette. Mr. Kenaley joined his present bank in 1972 as president. He entered banking in 1949 at Hibernia National, New Orleans.

General convention chairman this year is Michael J. Rapier, president, National Bank of Commerce, Jefferson Parish. ●●

Barksdale Named President Of Fed Advisory Council

ST. LOUIS — Clarence C. Barksdale, chairman/CEO, First National, has been named president of the Federal Advisory Council for 1980.

The council, on which Mr. Barksdale has represented the St.



BARKSDALE

Louis region since 1978, confers with the Board of Governors of the Federal Reserve System on economic and banking matters and makes recommendations regarding Fed activities. The council comprises one representative from each of the 12 Fed districts and meets in Washington, D. C., at least four times a year.

Mr. Barksdale also is chairman/CEO of First Union Bancorp., the parent company of First National.

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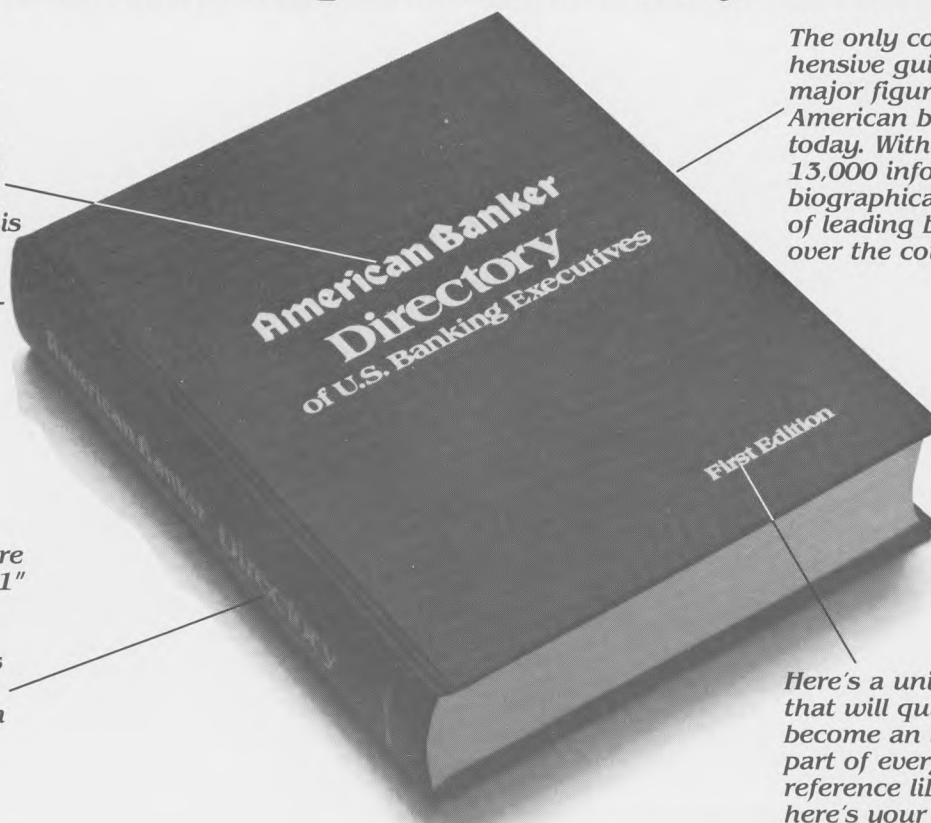
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NEWS

From the Mid-Continent Area

Alabama

■ **FIRST NATIONAL**, Russellville, has elected Wayne Malone vice chairman and Joel Carter president/chief operating officer.

■ **RICHARD P. MORTHLAND** has been named president, Peoples Bank, Selma. He had been executive vice president.

■ **MARY GEORGE JORDAN WAITE**, chairman and president, Farmers & Merchants, Centre, has been reappointed chairperson of the Small Business Administration Region IV, Birmingham Advisory Council.

■ **COMMERCIAL GUARANTY**, Mobile, has promoted Bobby J. Lowther to senior vice president, Robert L. Ray III to senior vice president/comptroller and Donald W. Vaughn to vice president/cashier.

■ **FIRST NATIONAL**, Florence, recently broke ground for its new seven-floor building that will have 86,400-square feet of space. To conserve energy, all windows will have double-glazed glass. The new bank will have four drive-in lanes and an automatic teller machine.

■ **FIRST NATIONAL**, Decatur, has promoted Anna Hamaker, Carolyn M. Hunt, Patricia M. Poole and Phyllis Reaves to assistant cashiers.

New Group Officers Elected In Ala. Bankers Assn.

New group officers have been elected in the Alabama Bankers Association. They are:

Group One: chairman, Billy Bolton, president, Bank of Red Bay; vice

chairman, Jim Flemming, president, Bank of Florence.

Group Two: chairman, W. R. Collins, president, Bank of Huntsville; vice chairman, John E. Wilkes Jr., vice president, First State, Decatur.

Group Three: chairman, B. J. Nolen, president, Albertville National; vice chairman, Jane Poovey, senior vice president, Farmers & Merchants Bank, Centre.

Group Four: chairman, Willard Hurley, president, First Alabama Bank, Birmingham; vice chairman, William C. Robertson, vice president, Citizens Bank, Fayette.

Group Five: chairman, H. R. Moore, vice president, First National, Talladega; vice chairman, Roy Reeves, president, Citibanc of Alabama, Roanoke.

Group Six: chairman, Stephen C. Rogers, vice president, Commercial National, Demopolis; vice chairman, Betty J. Kinard, assistant vice president, Bank of Moundville.

Groups Seven/Eight: chairman, Walter Parrent, president, Bank of East Alabama, Opelika; vice chairman, Watt Jones, president, Citizens Bank, Wetumpka.

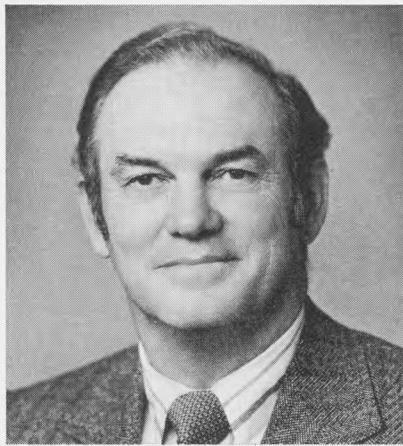
Group Nine: chairman, Clarence Frenkel, president, First Alabama Bank of Mobile County, Bayou la Batre; vice chairman, Kenneth Schultz, executive vice president, Farmers & Merchants Bank, Foley.

Group 10: chairman, H. G. Studstill, president, Citizens National, Opp; vice chairman, Robert H. Bennett Sr., chairman/president, Farmers Exchange Bank, Louisville.

Arkansas

■ **GARY E. BLENDEN** has been named a director of Arkansas Bank, Hot Springs. He entered banking in 1973 at Citizens & Southern National, Atlanta, and joined his present bank in 1974. He was promoted to vice president/special projects officer in 1979.

■ **THE ST. LOUIS FED** has approved the application of Peoples Bancshares, Inc., Van Buren, to become a bank holding company through acquisition of Peoples Bank, Van Buren.



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of First Alabama Bank of Montgomery, N.A.

First Alabama Bank
of Montgomery, N.A.

■ WILLARD HUSKINS has been named vice president/trust officer at First National, Crossett. He goes to the bank from Bank of A & M, College Station, Tex., where he was vice president/trust officer.

■ EXCHANGE BANK, El Dorado, has elected Edward Hurley chairman and J. Thomas May president. Messrs. Hurley and May joined the bank in 1960 and 1976, respectively.

Illinois

■ ALAN M. MEYER has been appointed president/CEO of First National, Deerfield. He goes to the bank from Deerfield State, where he was president/CEO. Mr. Meyer entered banking in 1960 and had been president/CEO of First National, Merritt Island, Fla., before returning to Illinois in 1978.

■ CRESTWOOD BANK recently held an open-house reception to celebrate the opening of its new home. More than 750 persons attended. Giant souvenir checks, balloons and a special "guess-the-amount-of-money-in-the-coin-jug" contest were featured.

■ ALTON BANKING & TRUST has promoted Larry Franklin to vice president; Patrick J. Heitzig to assistant vice president/trust officer; Ruth Autery, Phyllis Pitts and Gladys Bennett to assistant vice presidents and Richard W. Dortch to assistant auditor.

■ CENTRAL NATIONAL, Sterling, has promoted W. Kevin Kline II to vice president/data processing and Robert E. Baker to commercial loan officer. Messrs. Kline and Baker joined the bank in 1979 and 1973, respectively.

■ ELMHURST NATIONAL has promoted Roger P. Carqueville and David R. Rautio to vice presidents and Michael W. Stolz to assistant vice president. Messrs. Carqueville, Rautio and Stolz joined the bank in 1977, 1968 and 1973, respectively.

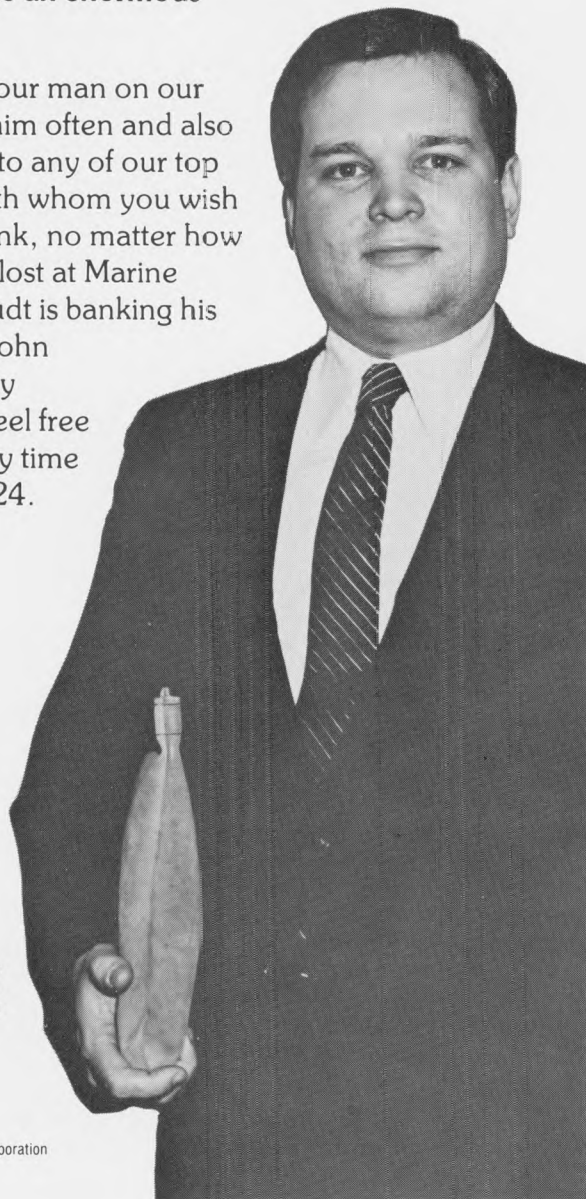
■ JUDY PRATT has been elected a vice president and director, First State, Morrisonville. On December 22, Mrs. Pratt, the former Judy Calame Smith, was married to Dean Pratt, president of the bank.

■ FIRST NATIONAL, Cicero, has elected Joseph J. Schuessler chairman/CEO; James P. Krcmarik

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president and Frank A. Lhotka executive vice president. Stanley D. Loula, executive vice president/trust officer, has been elected a director.

Indiana

■ CLINTON COUNTY BANK, Frankfort, has named Robert E. Hall Jr. chairman/CEO and Bradley S. Blickenstaff president/senior loan administrator.

■ DAVID E. TROUT has been named vice president/assistant controller, Citizens National, Evansville. Mr. Trout joined the bank in 1971.

■ WILLIAM C. CUNDIFF has been named senior vice president/loan administration at Citizens Bank, Jeffersonville. He joined the bank in 1948 and was named senior vice president/commercial loans in 1976.

Kansas

■ PLANTERS STATE, Salina, has changed its name to Planters Bank. Also, Edward D. Pogue was elected vice president. He goes to the bank from Kansas Power and Light Co., where he was a regional vice president.

■ STATE EXCHANGE, Yates Center, has elected Norma Hanson and Sylvia Jeffery assistant cashiers/loan officers and Betty Oler assistant cashier, operations.

■ DANIEL H. CORMAN has been elected a director of First National, Derby. Mr. Corman joined the bank in 1979 as vice president/cashier.

■ FIDELITY STATE, Dodge City, has named Leon Flax vice president/agricultural representative and Scott Chipman assistant vice president/installment loan manager. Also, Carma Wolfe was named loan officer, installment loan department.

■ MISSION STATE has named Margaret Sherman, Gordon T. Brown and

Robert L. Dye assistant vice presidents. Also, Frances A. Sutton has been promoted to assistant cashier.

Kentucky



This is artist's conception of 13-story glass and pre-stressed concrete structure, new headquarters of Second Nat'l, Lexington, that will be completed by fall, 1981.

■ SECOND NATIONAL, Lexington, will construct a 13-story glass and pre-stressed concrete structure to be known as Second National Plaza starting in August. Completion is expected by fall, 1981. The new building will provide headquarters for the bank's executive offices and main bank, while making a substantial investment in the redevelopment of downtown Lexington. The bank will occupy the first four floors and will have approximately 160,000 square feet of space.

■ PLANTERS BANK, Hopkinsville, has promoted William R. Simmons and W. Ray Luttrull Jr. to senior vice presidents; Hill Ferguson to executive vice president and Robert A. Koob to comptroller.

■ SECOND NATIONAL, Ashland, held a special stockholders' meeting in February to decide whether to withdraw from the Fed. The withdrawal would mean \$300,000-\$400,000 in additional income for the bank. Also, the withdrawal would mean a charter and name change for the bank. Tentative

plans are to change the name to First Ashland Bank & Trust under a state charter.

Louisiana



MELLIN

■ GILBERT M. MELLIN, vice president, Whitney National, New Orleans, has been elected a governing council member of the National Association of Business Economists. Mr. Mellin will serve a three-year term on the council.

■ FIRST NATIONAL, Houma, has promoted Louis E. Routier Jr. to senior vice president and Jerome H. Mire to vice president. New assistant vice presidents are Abel A. Caillouet Jr. and Michael J. Evans. Fred Sollars has been promoted to assistant vice president, Linda L. Peters to assistant cashier and Regina D. Foreman to assistant trust officer.

Mississippi

■ UNITED SOUTHERN, Clarksdale, has elected Robert R. Birdsong executive vice president and has promoted Jim Townsend to vice president/trust officer and H. Anthony Farish and Rebecca Powell to assistant vice presidents. Also, United Southern has promoted the following to presidents of their respective banks: John B. Young Jr., Batesville; Reginald Cartledge Jr., Drew; Sydney Guest, Lambert, and Ira Ousley, Tutwiler.



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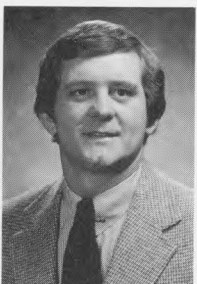
QUIGG



ROBUCK



PLETZ



WEBER

■ **CENTRAL TRUST**, Jefferson City, has elected William W. Quigg president/director and Robert M. Robuck executive vice president/director. Charles A. Weber has been promoted to vice president/corporate secretary and trust officer and Karen L. Pletz to vice president/trust officer.

■ **BANK OF GAINESVILLE** has promoted Dyana Terry and Mike Evans to assistant cashiers. Miss Terry and Mr. Evans have been with the bank since 1973 and 1976, respectively.

■ **SOUTHERN COMMERCIAL**, St. Louis, has promoted Byron W. Moser and W. Louis Perkins to assistant vice presidents.

MACHLIS



■ **JOAN MACHLIS**, community development officer, Mercantile Trust, St. Louis, has been appointed to the Missouri Neighborhood Commission by Governor Joseph Teasdale. The 24-member commission was created in October, 1979, to advise the governor

on matters relating to housing and to promote the revitalization of Missouri neighborhoods. Also, Miss Machlis has been asked by Pottinger & Co., Washington, D. C., to serve on a 24-person national advisory panel to help prepare a lender's guidebook on federal aids to community investment.

■ **ST. JOHNS BANK**, St. Louis County, has promoted Jerry L. Byrd from vice president to senior vice president; Wallace J. Sheets from trust officer to vice president/trust officer, Virginia F. Hauser from assistant cashier to assistant vice president, Nancy Wymer from assistant cashier to head teller — main bank and Shirley Rainey from teller to assistant manager — Natural Bridge facility.

■ **FARMERS BANK**, Gower, an affiliate bank of First Midwest Bancorp., Inc., St. Joseph, has received approval for its name to be changed to First Midwest Bank of Gower.



DUNCAN

HORN



FORD

MANRING

HULETT

■ **FIRST NATIONAL**, St. Joseph, has promoted Meg Duncan to vice president; John J. Ford, Bill Manring and Carol Horn to assistant vice presidents and Stanley M. Hulett to agricultural representative. First Trust, St. Joseph, has promoted Jeanette Venable to assistant vice president and Lorene Wood to assistant cashier.

■ **FIRST MIDWEST BANCORP.**, St. Joseph, reported 1979 net income of \$2,514,871, or \$3 per share, which is approximately 13% higher than the \$2,226,135, or \$2.65 per share, earned in 1978 (when adjusted for the two-for-one split in 1979).

New Mexico

■ **CAPITAL BANK**, Santa Fe, has promoted Steve Lamoreux to senior vice president/operations; David Gurule to senior vice president/lending operations and administration and Phillip J. Torres to vice president.

■ **FIRST NATIONAL** of Rio Arriba, Espanola, has promoted Wayne L. McKinley and Tony F. Martinez from assistant vice presidents to vice presidents. Also, Mr. Martinez is manager of the Dulce Branch. Messrs. McKinley and Martinez joined the bank in 1969 and 1971, respectively.

Oklahoma

■ **FIRST NATIONAL**, Yukon, has promoted John M. Coffey to chief executive officer and Steve C. Brown to executive vice president/chief operating officer. Mr. Coffey has served as president/director of First Yukon Bankshares, Inc., the bank's HC, and vice chairman of the bank since 1973. Mr. Brown had been senior vice president/cashier of the bank since 1975.

■ **UNITED OKLAHOMA**, Oklahoma City, has elected William O. Johnstone president. Mr. Johnstone goes to the bank from Union Bancorp., Inc., and Union Bank, both of Oklahoma City, where he had been president.

■ **JACK T. CONN**, chairman, Fidelity National, Oklahoma City, has been elected president, Oklahoma Historical Society.

Tennessee

■ **UNITED BANK**, Chattanooga, has promoted Robert L. Dolan Jr. to executive vice president and to the executive committee, and Mitchell L. Bryant to senior vice president/cashier.

■ **ROBERT S. EBERT SR.** has been promoted to vice president/business development at City National, Memphis. Mr. Ebert joined the bank in 1979 and has more than 30 years of banking experience.

■ **FIRST AMERICAN NATIONAL**, Nashville, soon will begin construction of a larger branch office in Bordeaux. The new 2,000-square-foot contemporary branch will replace a temporary branch at that location.

Texas

■ **FIRST CITY NATIONAL**, El Paso, has promoted Nathan E. Christian to vice president/corporate department manager; Frank M. Bashore to installment loan officer and Robert L. Armstrong to controller.

■ **CHARLES R. PERRY** has been elected chairman of State National, Odessa. Mr. Perry is president/chairman, Perry Gas Companies, Inc., Odessa. Also, Paul Slator was honored on the 30th anniversary of his election as a director.



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.

On January 31, 1980, the Board of Governors of the Federal Reserve System released final amendments to Regulation E and issued two proposals for comment. Regulation E implements the Electronic Fund Transfer Act, Title XX of the Financial Institutions Regulatory and Interest Rate Control Act of 1978. Following are several of the most frequent questions received by the consumer affairs division regarding the new provisions of the regulation:

Q. What notice must be given to a consumer whose account is scheduled to be credited by a pre-authorized electronic fund transfer from the same payor at least once every 60 days?

A. In addition to the two previously provided alternative-notice procedures that would require either positive or negative notice every time a pre-authorized transfer occurs or fails to occur, a new third alternative permits an institution to establish a telephone line that a consumer may call to find out if a pre-authorized transfer has occurred. The telephone line must be "readily available," and the final rule requires that institutions using this alterna-

tive establish systems with sufficient lines, equipment and personnel so that consumers calling to inquire about transfers are able to have calls answered with little difficulty.

Q. How often must periodic statements be provided to consumers with EFT accounts?

A. The regulation requires institutions to provide a written periodic statement summarizing EFT activity occurring in the statement cycle. The statement must be provided for any account capable of transfers other than pre-authorized credits for each month in which there is electronic activity in the account. Where no activity occurs in such an account, the statement must be provided on at least a quarterly basis.

Q. What are the requirements regarding crediting of pre-authorized transfers?

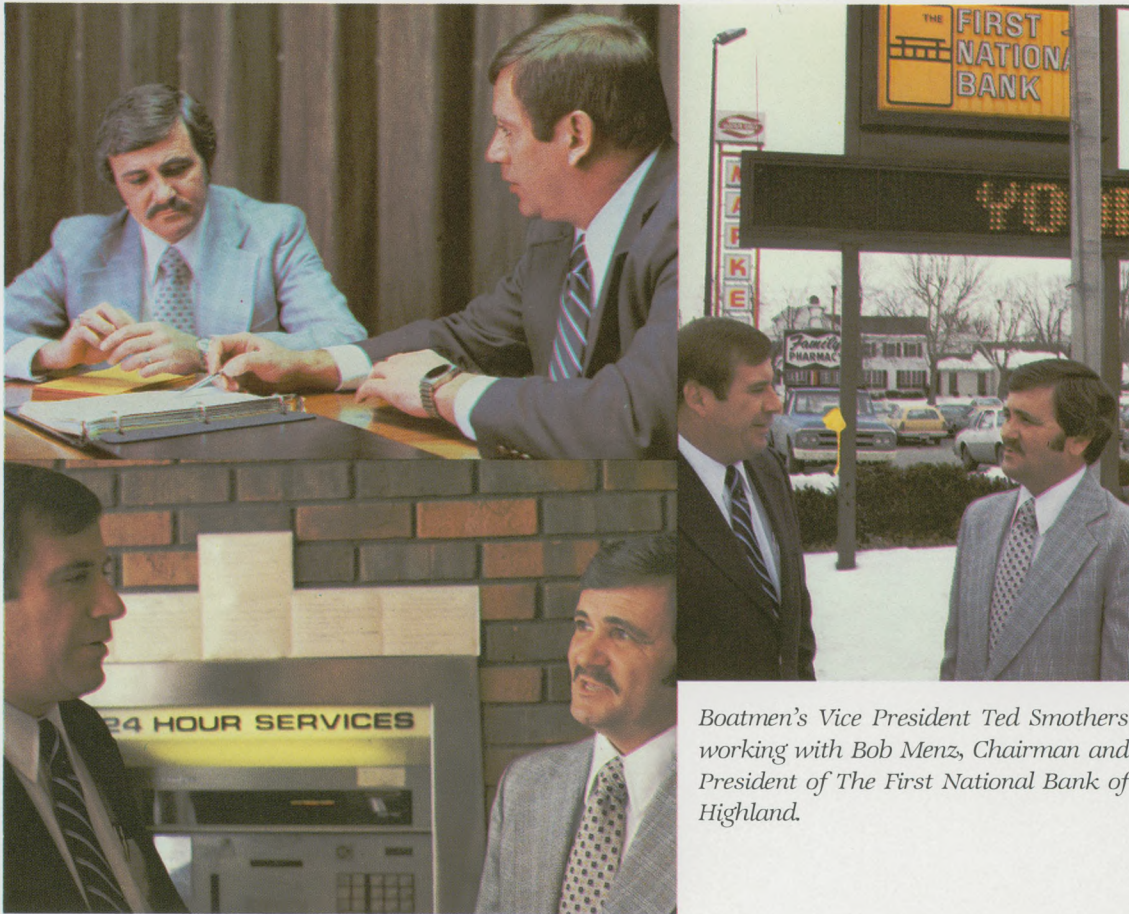
A. The final rule generally provides that a financial institution that receives a scheduled pre-authorized transfer shall credit the amount of the transfer as of the day the funds for the transfer are received.

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Boatmen's Vice President Ted Smothers working with Bob Menz, Chairman and President of The First National Bank of Highland.

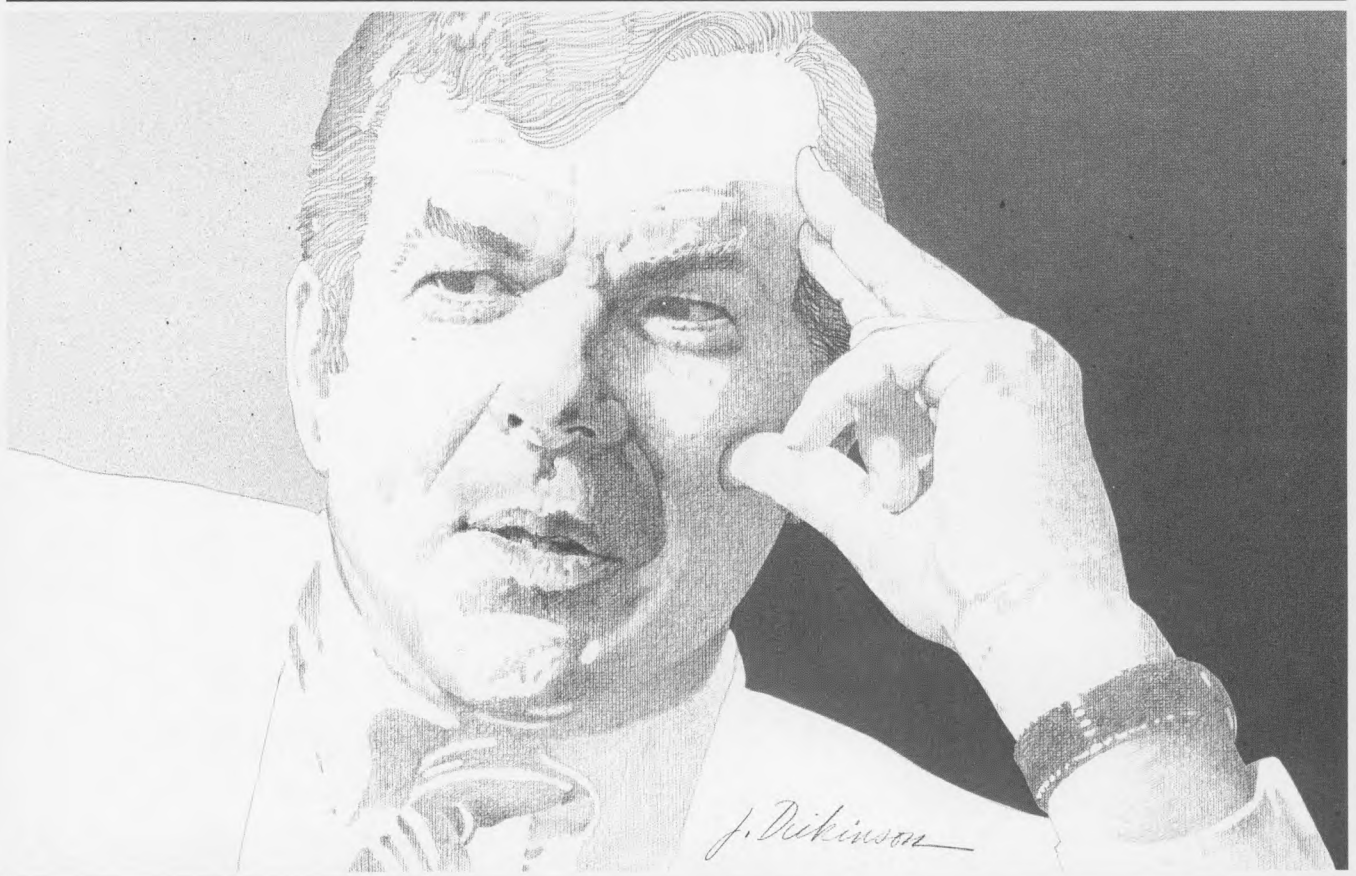
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