MID-CONTINENT BANKER

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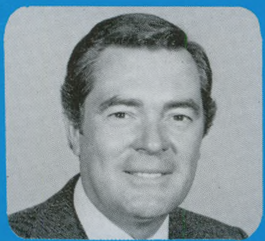
The Financial Magazine of the Mississippi Valley & Southwest

MAY 15, 1980

State Conventions 1980

Second of Two Issues



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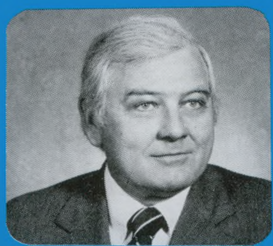

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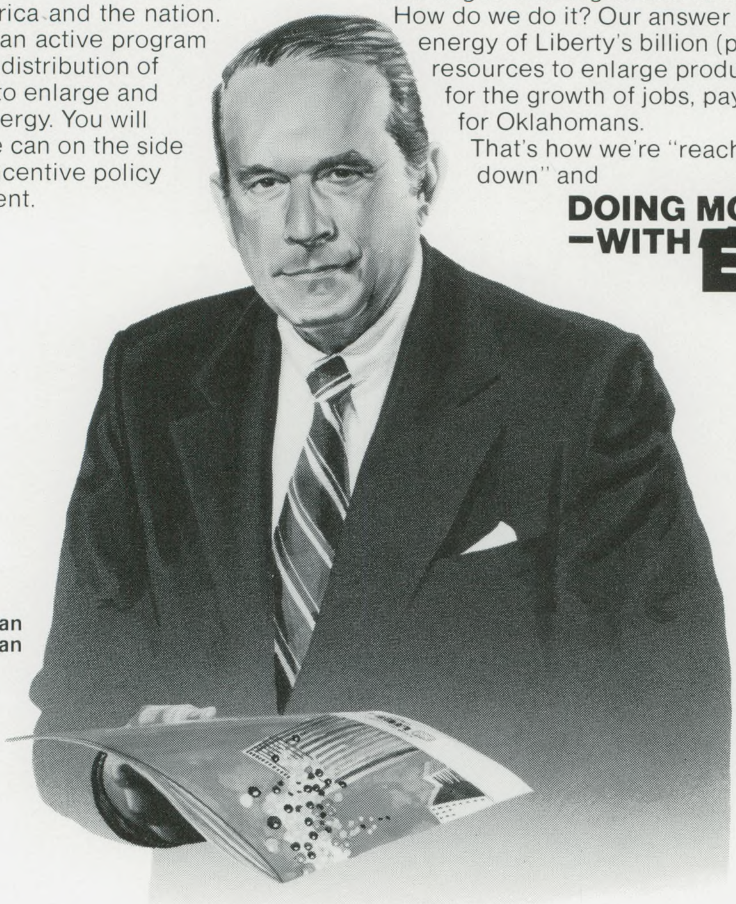

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April 27–29—Texas Bankers Convention, Houston—Fred N. Coulson, Jr., H. C. Bauman, David L. Scott

May 10–13—Arkansas Bankers Convention, Hot Springs—Fred N. Coulson, Jr., H. C. Bauman, William J. Sprenger

May 19–21—Oklahoma Bankers Convention, Oklahoma City—P. V. Miller, Jr., Fred N. Coulson, Jr., H. C. Bauman, David L. Scott

May 14–16—Kansas Bankers Convention, Overland Park—P. V. Miller, Jr., David A. Rismiller, John R. Owen, Fred N. Coulson, Jr., H. C. Bauman, Frampton T. Rowland, Jr., Michael Brixey, John C. Messina

May 22–24—Missouri Bankers Convention, St. Louis—James M. Kemper, Jr., P. V. Miller, Jr., David A. Rismiller, John R. Owen, Fred N. Coulson, Jr., H. C. Bauman, John C. Messina, Stephen E. Erdel

June 5–7—Colorado Bankers Convention, Colorado Springs—Fred N. Coulson, Jr., David L. Scott

June 5–7—New Mexico Bankers Convention, Albuquerque—Fred N. Coulson, Jr., David L. Scott

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MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

Volume 76, No. 6 **May 15, 1980**

FEATURES

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CONVENTIONS

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Convention Calendar

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.
May 22-24: Missouri Bankers Association Annual Convention, St. Louis, Stouffer's Riverfront Inn.
May 22-25: Assembly for Bank Directors, Bermuda, Southampton Princess.
May 24-29: National AIB Leaders Conference, New Orleans, Hyatt Regency New Orleans.
May 25-30: Bank Marketing Association Essentials of Bank Marketing Course, Boulder, Colo., University of Colorado.
May 25-June 6: Bank Marketing Association School of Bank Marketing, Boulder, Colo., University of Colorado.
May 25-30: Bank Marketing Association School of Trust Sales and Marketing, Boulder, Colo., University of Colorado.
May 31-June 6: ABA National and Graduate Schools of Bank Investments, Urbana/Champaign, Ill., University of Illinois.
June 5-7: Illinois Bankers Association Annual Convention, St. Louis, Stouffer's Riverfront Inn.
June 5-7: New Mexico Bankers Association Annual Convention, Albuquerque, Hilton Inn.
June 5-7: Association of Bank Holding Companies Annual Convention, Williamsburg, Va., Williamsburg Inn.
June 8-10: ABA Financial Management and Planning Workshop, Chicago, Hyatt Regency O'Hare.
June 8-20: Stonier Graduate School of Banking, New Brunswick, N. J., Rutgers University.
June 10-12: Indiana Bankers Association Convention, French Lick, French Lick Springs Hotel.
June 11-13: Robert Morris Associates Chapter Officers Planning Workshop, New Orleans, Royal Orleans.
June 15-18: ABA National Corporate Trust Workshop, Chicago, Palmer House.
June 15-18: ABA Management Skills Workshop/Community Bankers Division, Kansas City, Crown Center.
June 24-26: ABA Affirmative-Action Workshop/Bank Personnel Division, Chicago, Hyatt Regency O'Hare.
July 9-11: ABA Labor Relations Workshop/Bank Personnel Division, Denver, Stouffer's Denver Inn.
July 13-16: ABA Risk & Insurance Management in Banking Seminar, Lincolnshire, Ill., Lincolnshire Marriott.
July 13-19: ABA National Compliance School, Notre Dame, Ind., Notre Dame University.
July 13-25: ABA School for International Banking, Boulder, Colo., University of Colorado.
July 19: ABA District II Leaders Conference, Peoria, Ill., Holiday Inn.
July 20-25: ABA National School of Bank Card Management, Evanston, Ill., Northwestern University.
July 27-Aug. 2: ABA Essentials of Banking School, Notre Dame, Ind., Notre Dame University.
July 27-Aug. 2: ABA Business of Banking School, Ithica, N. Y., Cornell University.
July 27-Aug. 8: Consumer Bankers Association Graduate School of Consumer Banking, Charlottesville Va., University of Virginia.
Aug. 3-8: ABA National School of Real Estate Finance, Columbus, O., Ohio State University.
Aug. 9: ABA District Five Leaders Conference, Jackson, Miss., Holiday Inn.
Aug. 10-15: Central States Conference Graduate School of Banking Postgraduate Course, Madison, Wis., University of Wisconsin.
Aug. 10-23: Central States Conference Graduate School of Banking, Madison, Wis., University of Wisconsin.

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

Promotion From Within: Good Motivating Tool

PRODUCTIVITY awards can come in many packages. Used discreetly, a promotion from within can serve as a valuable tool in motivating employees. Unless it's handled properly, a promotion for the wrong person can, conversely, have a devastating effect.

No one knows better who deserves a promotion than your employees. If some favoritism is indicated in promotions, other employees can be turned into unproductive beasts breathing fire and brimstone. A few can be real monsters, especially in the operations area.

Promoting from within places a responsibility on top management to see that a reasonable number of promotable people are on the staff.

There are several types of promotions. The outright assignment of officer status should be accompanied by a definite assignment in an area of responsibility; otherwise, the title is hollow and carries no weight with co-workers. Officer status based mostly on service tenure or family relationship usually has a negative effect on the work force. Workers feel mistreated and begin to read the help wanted ads.

A promotion to "head teller" or "bookkeeping supervisor," etc., should include responsibility for work schedules, interviewing applicants and, most importantly, a continued training program for employees in their own departments. We are talking of banks of all sizes; therefore, some modification would be in order for large and small banks. Generally, we are adapting our suggestions to banks under $100 million.

A supervisor should delegate responsibility to others. The supervisor who has a tendency to handle all unusual items personally is not only a candidate for a heart attack, but most importantly, he or she is failing to provide the training necessary for subordinates to advance. The most obvious signal is the amount of overtime a supervisor must spend to keep the department running. Another signal is when the work load becomes "jumbled" during the supervisor's vacation.

Management might learn a lot from a bookkeeper or teller in a $30-million bank by calling him or her into his office for such questions as "How do you like your job?" "Just exactly what do you do?" "Do you feel you are receiving the best training for your job?" "Have you a goal in sight for your next advancement?"

Interpretation of the answers, of course, must be tempered with good judgment. It may be necessary to question others in the same general departmental area, but usually the subordinates can, and will, provide the really valuable information about their supervisors and general work load in a certain department. It's also a great tool to help decide who is to be the next supervisor. In addition, most employees will consider it an honor to have their opinions sought.

At some point, consider awarding the title of "assistant bookkeeping supervisor" or "assistant head teller," etc. A consultation with the supervisor (and full agreement) is essential. Subordinates' thoughts should not be divulged, but management will have a good idea of the areas of agreement as well as any flash signals of how well an employee gets along with co-workers and supervisors.

The psychology of promoting from within has been tested and proved for many years. It is a practice that is extremely important to any bank, but it also places a responsibility on top management to see that a reasonable number of promotable people are kept on the staff. Far too many banks have found themselves with "average" or "satisfactory" employees in junior positions, but learn too late that the age and capability range of senior officers requires some real planning to ensure smooth transitions when illnesses, resignations or other sudden staff changes occur.

A trend has surfaced in the '70s that can be expected to gain momentum quickly — women bank officers. Can you think of any bank that does not have at least one woman whom management relies on frequently for general administrative advice? Women understand, and usually accurately evaluate, employees as well as customers.

The supervisor who has a tendency to handle all unusual items personally is failing to provide the training necessary for subordinates to advance.

Women have come a long way, not only through legislation, but principally by demonstrating they can handle management positions. Already, there are several female bank presidents in the Midwest, and they are doing a good job. Yes, some have limited mobility in relocating, but there are some unencumbered, well-qualified women around. There are some whose husbands' occupational skills are transferred easily to another area, who are willing to relocate within reasonable distances of their present homes. When considering promotions, a bank could take advantage of the availability and training already invested in some of its female help.

In summary, the "bottom line" in the '80s can be satisfactory, but it will

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require some additional expertise on the part of management to seek out, hire and train promotable employees. The Bureau of Labor Statistics reports a 37% turnover rate for banking, with 87% of all terminations voluntary. It seems, therefore, that at least one third of a bank's employees should be of promotable quality. The problem is magnified when one thought to be promotable fails to perform according to estimates or moves on to what appears to be greener pastures.

In conclusion, personnel is a constant administrative concern, but it's not peculiar to banking. A similar problem exists in every business employing two or more persons. Personnel problems can be eased by promoting from within, conducting intensive training, evaluating staff people and accepting female available resources. There's no cure-all, but there is a challenge — and meeting that challenge certainly is possible. ● ●

Women in Bank Management Quadruple in Number During This Decade

WASHINGTON, D. C. — The number of women in official and managerial positions in full-service banks nearly quadrupled in this decade, according to statistics filed with the federal government, reports the ABA.

The figures, submitted by the 50 largest banks in the country, also show that during the same time period the percentage of all official and managerial positions held by women more than doubled.

In 1970, 7,650 women held 14.9% of the category designated "officials and managers." By 1975 some 19,211 women had earned a 26% share of that category, and the most recent 1978 figures show that 28,987 women, or 32.9% of the total are now included in the ranks.

Officials and managers is the top job category established by the Equal Employment Opportunity Commission (EEOC) and the U. S. Department of Labor for equal-employment-opportunity reporting. It covers "administrative personnel who set broad policies, exercise overall responsibility for execution of those policies and direct individual departments or special phases of a firm's operations." The classification includes officials, executives, middle-management personnel, department managers and salaried supervisors who are members of management.

In announcing the new figures, A. O. Stromquist, chairman, ABA bank personnel division, and vice president, U. S. National, Portland, Ore., pointed out that while the percentage of females holding official and managerial job titles was increasing, total number of positions within that category also was increasing.

"In 1970," said Mr. Stromquist, "there were 51,358 bankers within the general category of officials and managers. By 1975 the number of persons in that category had jumped to 73,876 and by 1978 it had reached 88,000.

"This is important to note in assessing gains women have made as a percentage of the total official/managerial slots in existence. Merely to hold on to their 1970 14.9 percentage share, total number of women in those positions would have had to increase. The fact that they more than doubled their share — to 32.9% — while the category itself increased by two-thirds is certainly significant."

Statistics compiled by the ABA also show that the number of "professional" positions in banks held by women more than tripled from 1970-1978. The EEOC and the Department of Labor define this category as consisting of "occupations requiring either college graduation or experience of such kind and amount as to provide a comparable background." It includes accountants and auditors, lawyers, librarians, mathematicians and personnel and labor relations workers.

In 1970, out of a banking industry total of 13,073 professional positions, women held 3,246, or 24.8%. By 1978 total number of professional positions had jumped to 27,865 and women were holding 11,481 or 41.2%.

Minority personnel also have made significant gains in upper levels of banking. Statistics show there currently are some 10,898 official/managerial positions held by minority employees, while in 1970 there were only 2,577. They now hold 4,395 professional positions as opposed to 883 at the beginning of the decade.

For minority women, the jump is even more impressive — from 717 "officials and managers" in 1970 to 5,135 in 1978, and from 251 professionals in 1970 to 2,040 today. These figures include Blacks, Asians, American Indians and Hispanics.

By OSCAR W. JONES
Risk Control Services, Inc.
Chicago

Are You Prepared to Be Robbed?

ARMED BANK robbery is the No. 1 crime category for most inmates entering the federal prison system. About 50% of all inmates arriving in our federal prison system today are sentenced for either armed bank robbery or — often related — major narcotics offenses.

More alarming is that armed robberies have increased within the last several weeks. There has been an upsurge of these crimes against banks across the nation. Many of the robbers have not been apprehended.

"There is an extremely valid reason for a bank not to want to attract bank robbers. It is in protection of the lives of personnel and customers."

Many banks are exposing too much cash in areas vulnerable to attack by bank robbers. For example, tellers' cages, shipping and receiving areas, currency-packaging areas and in reserve cash held in the vault.

At approximately 1:30 p.m. one day, a man entered a bank lobby and approached one of two tellers on duty. He rushed behind the teller cage and forcibly took more than $6,000 from the teller drawer. While leaving, he bumped into the second teller, who was coming out of the vault with a cash bag. The bag contained more than $33,000 of the prior day's deposits which the teller was going to process. He grabbed the bag and left through the front door, ran across the parking lot into a nearby woods, where he had a car waiting.

He took bait money — the cash from the teller drawer — but, neither the alarms nor cameras were activated due to malfunction. The bank was aware of the malfunctioning security equipment the day before, but repairs had not been completed by the time of the robbery.

Tellers were able to provide authorities with a reasonably accurate description of the robber and police immediately began to search for him.

Although no weapon was displayed, bank personnel attribute the robber's success to the element of surprise and the speed with which the incident occurred.

Do you thoroughly and frequently inspect your security equipment, and upon notice of malfunction, do you promptly repair it, being especially cautious in the interim?

Two armed men disguised with ski masks entered another bank through the lobby door at 10:45 a.m. They vaulted over a gate at the rear of the teller line and demanded money from each of the four tellers on duty. They grabbed several bags containing deposits from local businesses which had not been processed in addition to the teller drawers' contents. One of the bags contained the payroll prepared for a grocery chain. In addition to cash, they also took numerous checks and change orders. Total loss to the bank was $145,000.

In both banks, too much cash was exposed. Large amounts of cash are tempting to would-be bank robbers. Consequently, we may learn a lesson from these recent robberies — to hold currency exposure to a minimum.

Does your vault's internal chest or safe have a 15-minute delay mechanism? Remember, one thing that the bank robber doesn't have is *time to spare!* He wants to hold up the bank as fast as possible and make a quick getaway. If the vault cash is under a 15-minute delay lock mechanism, more than likely the robber will be satisfied with the tellers' cash he has scooped up, because he can't afford the 15-minute delay.

One practical alternative to the 15-minute lock mechanism is to distribute the bulk of your vault cash into several unrented safe deposit boxes kept under control.

"In both banks, too much cash was exposed. Large amounts of cash are tempting to would-be bank robbers. . . . Hold currency exposure to a minimum."

In another bank robbery, a lone messenger was robbed of $168,000 as he approached the back door of the bank. This messenger brought large amounts of currency to the back door at about the same time each day and traveled the same route each day. This messenger had established a pattern to his delivery route and time and all the robbers had to do was intercept him during his routine.

Obviously, there was a flagrant violation of sound control principles in this bank. In the first place, a messenger should not be alone when transporting $168,000 to the bank! Secondly, he should have varied his route and time each day to avoid establishing a predictable pattern.

Do you have messengers transporting large amounts of cash? Do they alter their delivery routes and times of

(Continued on page 34)

This article was taken from the January, 1980, issue of *Loss Protection/Prevention Bulletin*, which is published by Scarborough & Co., Chicago.

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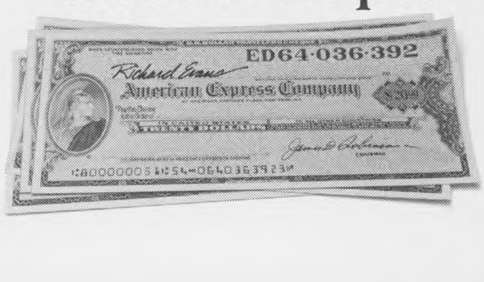

Community Involvement

College Endowment Fund Established by BofA For Outstanding Seniors

A $2-million endowment fund to benefit outstanding seniors at California state and independent universities has been established by BankAmerica Foundation in recognition of the 75th anniversary of the Bank of America, San Francisco.

Earnings from the permanent endowment will be distributed annually as merit scholarships to more than 100 selected seniors. The program will begin next fall.

"The program's purpose is two-fold," said A. W. Clausen, the bank's president. "The bank wishes to recognize and to encourage excellence in education. Also, it wants to express its gratitude to California colleges and universities for providing the state with . . . knowledgeable citizens and the bank with . . . fine employees."

Mr. Clausen said the schools will select recipients and distribute and administer scholarship funds. Although there is no restriction in fields of study, students must be California residents and have a 3.25 or better accumulative grade-point average to be considered. Scholarship funds will be a flat amount rather than the actual cost of tuition and will range from $500 to $4,500 per student.

School Message Board Is Donated by Bank For School's Birthday

A lighted message board was donated by Colonial National, San Antonio, Tex., to Tom C. Clark High School. Robert T. Huthnance, president of Colonial National, made the presentation. "We are pleased to celebrate Clark's first birthday by giving the school this message board," Mr. Huthnance said.

"Our bank plans to do business in this area for a long time to come. We're especially proud of the job the Clark High School principal and his staff are doing to prepare their students for the challenges and opportunities facing tomorrow's citizens and community leaders.

"We look forward to working with these young people to develop the full potential for our community, and this gift is an affirmation of our commitment to this goal."

Robert T. Huthnance (r.), pres., Colonial Nat'l, San Antonio, Tex., and Clark High School Principal Jerry Daniel hold number that completes message on new sign donated to school by bank.

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How Do Anti-Inflation Programs of Fed, President Score Among Bankers?

CEOs of Banks, HCs Voice Their Opinions On Actions Announced March 14

Growth Slowdown For Individual Banks

By Robert F. Jackson Jr.

IT SEEMS clear that the monetary and credit restraints announced March 14 by the Federal Reserve Board will be bitter medicine, but something must be done to halt runaway inflation.

It's still too early to measure the impact of these restraints on any quantitative basis, but we do expect a slowdown in growth of individual banks and a probable reduction in earnings. As usually happens when artificial controls are imposed, the better-managed and more liquid banks will suffer the least, and the less liquid and aggressively growth-oriented banks will suffer the most.

I think it is obvious that both retail and commercial customers will find it more difficult to borrow, partly because rates will be high, but more importantly loanable funds will be in short supply. Banks will be forced to allocate credit. To one degree or another, communities will suffer as economic activity declines.

ROBERT F. JACKSON JR.
President
First National Charter Corp.
Kansas City

The additional reporting requirements will add substantially to an already burdensome volume of regulatory reports. This doesn't happen without a corresponding increase in expense to the bank. At this point, we believe we can accomplish this reporting requirement without hiring additional personnel. However, those assigned to the task probably will be diverted from more productive pursuits.

> This is the second of two articles in which bank and HC CEOs express themselves on programs announced March 14 by the President and Fed. The first article appeared in the May 1st issue of MID-CONTINENT BANKER.

It is too soon to report much reaction to these voluntary controls from our customers, although we can anticipate with some degree of accuracy. For instance, we know already that individuals are not really concerned with the magnitude or method of implementation of controls. They are interested in the end result. For many of them, that simply will be more difficulty in borrowing even at higher interest rates. Obviously, only part of the restriction will be taking place across the loan officer's desk. Similar scenes will be played out in a variety of ways as banks tighten credit standards for their credit cards along with similar moves by many major retailers.

As mentioned earlier, the whole credit-tightening process is bitter medicine for many people to swallow. But if it succeeds, it will be worth all the inconvenience and cost. In my opinion, the objective of curbing inflationary pressures can be accomplished if the program is given enough time to operate, and if Congress does not neutralize it by providing additional funds when the political shoe pinches. The whole program could be destroyed by a major tax cut or, as has been requested by the mortgage industry, a

(Continued on page 24)

Public-Policy Failures Reason for Crisis

By Charles Pistor

THE RESPONSE of much of the business community and general public to the Administration's anti-inflation program has been one of confusion, frustration and concern over the inability of government to restore the confidence that is essential to price stability and health of the economy. It is distressing that the economic climate has been permitted to deteriorate into a crisis environment in which inflation is rampant and forthright actions are urgent.

Down in Texas, one of our leading industrialists, Eddie Chiles, chief executive officer of the Western Co., leads a media campaign in which he rightfully decries, "I'm mad; you get mad, too" because of the unnecessary hurt put on our country, our businesses and our people by the wrong government actions. I support his basic outcry. "I'm mad, too, Eddie!"

(Continued on page 21)

CHARLES PISTOR
Chairman
Republic National Bank
Dallas

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Whether it's Easter in Miami Beach or Dominion Day in Montreal, your customers can find help if their travelers cheques are lost or stolen.

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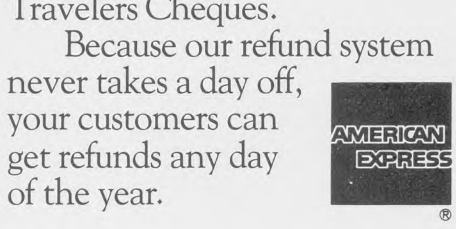

No Growth Seen In Consumer Credit

By Nat S. Rogers

THE CREDIT-RESTRAINT and anti-inflation program undertaken by the Fed March 14 is, of course, forcing many of our 41 member banks to follow a much more selective policy than formerly in extending credit, beginning with the consumer sector. A severe penalty is placed on a lender who increases his outstanding consumer credit, a penalty a lender and bank such as First City National of Houston, our largest member bank, can ill afford. It behooves us to make sure we have no growth as far as consumer credit is concerned. Any growth we might indulge in in that area would be extremely expensive for us in that we would have to make significant additional reserve deposits. Thus, there would be no profit in such transactions. In fact, we would conduct such transactions at a loss.

In the commercial-lending sector, First City's problem is severely aggravated by the fact that Houston is the energy center of the country, and the energy sector is particularly busy and growing. Our tradition of service to this sector has required us to build a heavy backlog of commitments for energy-related activities, such as domestic oil-drilling rigs and exploration for development of oil and gas resources. These commitments are larger than any we have had for many years. Because we provide extensive financial support for these activities, it's difficult for us to confine the growth in this sector to the Fed's 9% growth ceiling. This is a paltry growth figure for the level of activity going on in the energy sector.

NAT S. ROGERS
President
First City Bancorp. of Texas
Houston

Therefore, our job is to be extremely selective and to seek to curtail other types of credit commitments whenever and wherever we can. Our growth factor currently exceeds the 9% figure, and so our prime objective is to bring it back into compliance. Many banks are in this situation, especially southwestern banks, most of which are growing at a rate in excess of the 9%.

However, we will support the energy sector to the greatest extent possible, including efforts to sell participations to institutions serving markets that do not enjoy strong growth. I'm not sure how easily this may be accomplished, but we'll be looking for any and all means of enabling our own organization to comply with the Fed's program. We'll do this because the program is intended to achieve something fundamental and necessary to our economy — and that is to arrest inflation. Nothing else is more important than that!

The manner in which the program is applied will generate distortions such as I have described by placing a limited flexibility of 6%-9% in loan growth. That range does not make adequate allowance for the normal and constructive operations of growth institutions compared to those areas in the country with limited growth, no growth or perhaps even with a decline. In a city such as Houston, the population is growing at about 1,000 people a week. This influx inevitably generates heavier consumer-credit requirements here than in most other markets. Unfortunately, we have no flexibility to fill growing needs.

I believe the Fed will be realistic and grant banks now substantially in excess of the 9% growth rate a reasonable time to achieve conformance with the program. Banks in markets such as Houston or Dallas, for example, where there is a growing population and a rapidly expanding economy, naturally will have larger backlogs of commitments than do institutions in slow-growth areas. To reduce the backlog of commitments will take an extended period of time.

We shall certainly urge our customers not to use any unnecessary credit. Especially, we want this process of credit rationing to be as equitable as possible and to make sure that credit is necessary and productive when it is used. Nonproductive types of credit outlined by the Fed, such as take-over credit — purchase of one company by another — normally will be denied. There may be rare exceptions where it is clear that the result will be a more

(Continued on page 22)

Banking Industry Given Unduly Heavy Part

By Edward M. Penick

THE CREDIT-restraint program as announced by President Carter on March 14 and implemented by the Fed was long overdue. There is no easy way to lick inflation. The entire nation had been waiting for the Administration to take a strong leadership position in the anti-inflation fight.

Most anti-inflation measures that had been announced previously have had little or no effect. The main thing they had done was to add fuel to the fire of the inflation psychology that most people in the country had accepted as a standard way of life.

My criticism of the program would be that it fell unduly heavy on the banking industry and particularly on the commercial-banking industry of this country, so that now we find many small businessmen and average consumers forgetting the fact that it is the Administration's program; and it is an imposed restraint program by a governmental regulatory agency, the Federal Reserve System, and are blaming their local banks for the whole anti-inflation program.

There has yet to be any segment of the economy pinched by the anti-inflation program other than that which depends on credit. Congress could come forward with a reduction in some of its giveaway spending programs and start a serious reduction in federal spending so that some of those who have become dependent on the federal government giveaway program would find that the gift of Washington free-and-easy money has been cut off. There would be an immediate realization that this anti-inflation fight is se-

EDWARD M. PENICK
Chairman
Worthen Bank & Trust Co.
Little Rock

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Worthen Bank, being a major credit-card-issuing bank with a large consumer base, has announced credit-restraint programs dealing primarily with the consumer area — though not exclusively. This restraint program started in 1978 because of the usury restrictions of the state of Arkansas that made consumer lending unprofitable. The bank sponsored a test case through our state supreme court to determine whether a fee for the issuance of a credit card was to be considered as interest. When the Supreme Court ruled that this was not interest, this bank started a fee for its credit-card system in early 1978, charging $12 for one card and $15 for both cards. Our new fee schedule has gone up to $18 for one card and $20 for the two cards. We also previously reduced the number of months for payment on a credit-card account from 20 months down to 15 months, and this was not changed with the President's program.

In the general consumer area, we raised our minimum loan to $2,000. We are restricting our consumer credit to checking- and savings-account customers of the bank and have reduced our available funds in the automobile, home-improvement and other dealer lines.

On the commercial side, we also are restricting our available funds to account customers of the bank and to those primarily in business in our general market area. A loan for a loan's sake no longer is permitted, and every loan is critically analyzed from the standpoint of long-term customer relationships. All these provisions have been received different ways by different people. Many people who had carried the credit card for a prestige purpose and didn't use it have dropped the credit card. Others have taken the opposite approach. That being, that if they are going to pay that much for the card and if consumer credit generally in the retail stores they patronize is being cut off, then they are going to use the card the way it was intended.

The customer is a little more knowledgeable and has been exposed to high interest rates as part of the increased cost of doing business; and though he does not like 20% rates of interest, neither does he like the regular increases in the cost of everything else he purchases. Consequently, most commercial customers who are able to pass on the high cost of money to their customers have accepted it. It is that group of customers who cannot pass on the high cost of money that has been damaged most seriously.

One major group of customers who fall into this category is made up of farmers who service the agricultural economy of our state. The farmer has seen the cost of everything he purchases escalate 1½% to 2% a month; and yet if you analyze the price he gets for his product, soybeans, rice, cotton, cattle, poultry and others, those prices have risen little in the last few years. This squeeze is eliminating a lot of capable, hard-working farmers who just cannot make it under these types of market conditions.

The Fed's actions standing alone will not, in and of themselves, bring a halt to inflation. The Fed's actions, however, are important to the fight against inflation for they are the first signals that the Administration is serious about the inflation fight, is not going to just pay lip service to it and is willing to take the criticisms of many in order to start to bring inflation under control. This can be accomplished only if there is a joining of the Fed's action with that of Congress and a conservative approach on the part of every voter requiring accountability from every person elected to Congress this coming November. No one regulation, act of Congress or ruling of some governmental body will cure inflation. It will be cured only when the people of the country realize its costs to everyone and demand financial accountability of those who make the laws. ● ●

Charles Pistor

(Continued from page 16)

Why? Because the crisis is the culmination of a whole series of public-policy failures that for some time have gnawed away at the vitality of the private sector of the economy, on which stability and growth depend. Among these failures are:

1. Delay and ineffectiveness in dealing with the critical energy problem.
2. Loss of productivity as a result of weakened incentives for capital investment, inattention to the work ethic and excessive governmental regulation.
3. Continued massive government spending and credit programs resulting in huge budgetary deficits, burdensome taxes and excessive growth of guaranteed debt.
4. Weakening of our defense strength to the point of encouraging challenges to our nation's international political stature.
5. Dependence on a system of wage-price guidelines that, while voluntary, has not held the line on wage demands, as was true with earlier attempts at legislated wage-price controls.
6. Earlier pursuit of a monetary and credit policy that for some time failed to curb a seemingly insatiable appetite for credit used to finance price increases and calls on real resources that were nourished by expectations of further serious inflation ahead.

The sharp increase in crude oil prices by OPEC producers in late 1979 was a significant factor in bringing the inflation crisis to a head. Yet, it can be argued that the factors enumerated played a large role in the decision to raise oil prices denominated in inflation-debased dollars. For too long a period, government policies failed to recognize the damage that inflation would wreak on the economy and people's lives, and politicians temporized by not espousing disciplines that solution of the nation's critical problems required.

Such is the perspective for interpreting the anti-inflation program and the response to it. Most significant from the viewpoint of the banking industry is that monetary and credit restraint is the centerpiece of the program. The immediate burden of restraint rests squarely on the shoulders of the Federal Reserve in an effort to slow down an excessive growth rate of money and credit. Undue reliance on credit restraint produces many imbalances and inequities, but perhaps they are now unavoidable against the alternative of far worsening conditions if inflation were allowed to escalate further. Banking and monetary authorities for some time have emphasized the limitations of monetary and credit restraint toward curbing inflation while the federal budget remains in heavy deficit. Several years ago, then Secretary of the Treasury William Simon warned that federal borrowing to finance the deficit would crowd out private borrowers from financial markets. That day has arrived!

It is consequently encouraging that fiscal restraint also is an integral part of the anti-inflation program, especially since the Administration was forced by pressures from congressional budgetary authorities to scrap budget proposals submitted in January and to present revised estimates calling for a balanced budget. The resulting degree of restraint on federal spending still is too painfully weak and achievement of actual balance remains in doubt, but the fiscal portion of the program can be viewed constructively as evidence of belated recognition that government spending is a principal cause of inflation and that the effectiveness of monetary and credit policy, with its potential unfairness and inequities, is impaired by large and continuing federal deficits. Especially in an election year, one can find hope in the agreement regarding the need for monetary and fiscal restraint that now prevails among economists, policy makers, legislators, the business community and even the general public. Painful for many as the prescription may be, the alternatives would be far worse if the inflation disease were allowed to progress. A critical mistake was made in the 1970s, when monetary and fiscal policies were eased and reliance was placed on wage-price controls to curb inflation. Thus far at least, that mistake has been avoided this time.

Clearly, the most important direct element of the new program for banking is its stepped-up emphasis on both the cost *and* availability of credit. For some time, interest rates were permitted to rise only slowly, but they began to advance more rapidly last autumn. However, the substantial rise in the cost of credit was not accompanied by a significant decrease in its availability, except in limited sectors such as single-family housing. Thus, the Administration came under pressure to activate the Credit Control Act of 1969, which authorizes wide latitude in Federal Reserve actions to impose selective or qualitative restraints on credit. One might have expected significant reductions in credit demand and availability of credit if the high levels of interest rates had been given time to work their way through credit markets and the economy. But a sense of urgency to take quick action forced adoption of the selective measures, in the face of frequently stated previous opposition of the Fed to that approach.

The brief time that has elapsed since the new measures were initiated is too short to assess their probable degree of success. The tone of financial markets has been one of shock, confusion and uncertainty. Extension of controls beyond the confines of member commercial banks to a broad spectrum of participants in financial markets adds a new dimension to Fed policy. We are in a new ball game. There is widespread concern that the restraint program will have drastic effects on many lines of economic activity and businesses related to them. In the face of sharply increased price levels, banks are being confronted with persistently large dollar demands for funds, at the same time that they are being asked to restrain growth in loans under a voluntary credit-allocation program. This is posing a tremendous challenge to management — especially in growth areas where needs for credit are so strong — to allocate resources to productive uses. It is posing a challenge for other financial markets that are having to adjust to a regulatory environment that is new to them; it is posing a challenge to business firms whose operations are affected by the cost and availability of credit for themselves and their customers, and it is posing a challenge to consumers, whose spending habits and financial affairs are to be tested against a government policy designed to slow down spending on borrowed credit and lower the inflation rate.

That markets will adjust to the new ball game is clear. They always do. What is not as clear is how much progress we may achieve in correcting the public-policy failures that led to our nation's disastrous inflationary environment. The fire is in the theater, and it must be put out at all cost! The absolute critical necessity of supporting corrective actions lies with us all.

Pistor Gets New Post

DALLAS — Charles Pistor became chairman/CEO, Republic Nat'l, April 15, succeeding James W. Keay. Mr. Keay will devote full time to his post of vice chairman of Republic of Texas Corp., parent company of Republic Nat'l.

Mr. Pistor has been succeeded as bank president by Joseph R. Musolino, formerly vice chairman.

Mr. Pistor joined Republic Nat'l in 1956. Mr. Musolino went there in 1964.

Tolerate Credit Tightening, Says Roos

WE SIMPLY can't expect to withdraw from a 15-year economic binge and not suffer a hangover, said Lawrence K. Roos, president, St. Louis Fed, recently, while calling for public support of current Fed anti-inflation policies.

He urged those who are currently feeling the adverse effects of credit restraint to tolerate temporary economic distress in order to achieve a lasting reduction of inflation.

He warned that any retreat from the Fed's present policy of reducing growth of the money supply would heighten inflationary expectations and lead to higher interest rates than are presently being experienced.

Mr. Roos stressed that "continued inflation could destroy the political and social institutions that have made America great," and called for public support of current Fed anti-inflationary actions "even if it means temporarily higher interest rates and some softening of economic activity."

He added that the Fed isn't responsible for present high interest rates. He attributed the rates to recent increases in the demand for credit. He also rejected wage and price controls as an effective tool for fighting inflation, charging that controls only dam up the flow of the economy, causing it either to seek other channels, such as black markets or similar avenues, or simply to gather a new momentum for a burst of inflation once the controls are lifted.

Nat Rogers

(Continued from page 18)

productive and efficient enterprise. They will be examined case by case, but, as a general principle, there will be few such cases.

I believe a wider growth-rate band of perhaps 5%-15% would have been desirable. The 6%-9% figure seems to be forcing everybody into an almost common pattern even though there are wide differences in growth rates in various sections of the country.

Our customers are apprehensive that their credit needs will not be fulfilled, but our own policy is to examine every request conscientiously. In addition to supporting energy activities, which are constructive and which will enable us to reduce the amount of imported oil, we have a strong obligation to smaller businesses and middle-market companies. These latter businesses rely entirely on local banks rather than on larger money-center institutions. In this process we may well lose position with some major com-

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panies, positions we developed over a long period. However, it's more important for us to support local enterprises that don't have alternate loan sources.

This program will result in added paperwork for banks, and the Fed's statement that paperwork would be minimized is one we can't afford to take too seriously. It's obvious there will be a great deal of reporting required — an inevitable part of the bureaucratic process. We won't be hiring more people at our bank because our volumes are going to be less than planned for 1980. In fact, we have put a freeze on head-count growth. We simply can't afford to hire any more people since our growth is going to be limited in this manner. We will have more time-consuming reports to file, but it will be accomplished with our present staff.

We urgently need a program designed to tackle inflation, which is the most pernicious problem we face. It's been building for many years, and sacrifices are necessary. The bias favoring consumption should be restrained, and we must attain an increase in the rate of savings. Firm action to pay our way as we go on the fiscal side is essential, and that means a balanced federal budget. (We haven't done nearly enough in that regard so far.) If we combine those actions with the Fed's continuing efforts to stabilize growth in the money supply, we should enjoy marked progress in reducing inflation within the next 12 months.

It will take years to overcome inflation completely, but if we can get it down to a single digit as rapidly as possible, we will be on the road to recovery. For several years, we have been moving in the wrong direction.

As I have pointed out, although there are severe penalties and inequities in this program, we certainly support the Fed's objectives and will do everything within our power to comply. • •

Robert Jackson Jr.

(Continued from page 18)

$10-billion special fund to pick up mortgages so they can continue to put new business on the books. Somehow the budget must be balanced and *not* by use of creative accounting.

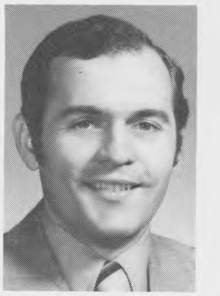
The Fed is using the only tool it has available to it, namely high interest rates, but this alone cannot stop inflation. This is evidenced by the exorbitant interest rates in South America that are accompanied by continuing runaway inflation. What we need are more statesmen and fewer politicians in Congress who will look at the total good instead of selfish special interests. Inflation will ruin our economy, and this may well be our last real chance to stand our ground. • •

Missouri Young Bankers To Meet June 10-12

The annual Young Bankers Conference of the Missouri Bankers Association is set for June 10-12 at Marriott's Tan-Tar-A Resort, Osage Beach.

The conference will feature John Wells, vice president, First National, Denver; Jim Perry, dean, school of business, Central State University, Norman, Okla.; and Frank Spinner, president, Tower Grove Bank, St. Louis.

Alan Harkness and Ralph Clermont, Peat, Marwick, Mitchell & Co., St. Louis, will speak on one-bank HCs. A special feature will be a past presidents' panel that will address special problems in the banking industry.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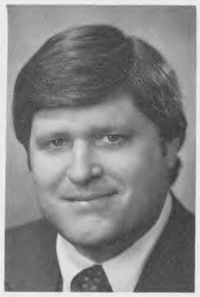
ROSS

Chairman of the MBA young bankers committee is Mike Ross, senior vice president, Bank of St. Louis. Vice chairman is Larry Morrow, vice president, American National, St. Joseph. Mr. Ross joined Bank of St. Louis in 1976 as a correspondent banking officer. He now is head of the correspondent and regional banking group. He is on the AIB faculty and is attending the Graduate School of Banking at the University of Wisconsin. Mr. Morrow joined American National in 1971 and now is head of the correspondent banking/agricultural lending department. He is a graduate of the Colorado School of Banking, the ABA National Commercial Lending School and the Intermediate School of Banking. He is a past president of the St. Joseph AIB Chapter.

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Opinion Varied on Thrust, Effectiveness Of Fed's Credit-Tightening Action

'Credit Allocation,' 'Cosmetic Action,' 'Too Little, Too Late' Among Comments

Fed Provides Chance To Get Houses in Order

By Lee Griffin
President
Louisiana National
Baton Rouge

THE FED's credit-tightening action has given banks an opportunity to get their houses in order and to review their credit pricing policies.

Louisiana National initiated a $12 annual fee for its credit cards, something it should have done long ago. The fee will begin this month and is payable at the time new cards are issued. Response so far has been good — only about 3% of our customers have canceled their lines of credit.

The bank's announcement was timed well, as it came out at about the time President Carter made his speech about curbing credit to combat inflation. The timing was coincidental, since the bank already was involved in tightening its credit policies.

Our account loss is expected to be less than 10% because people are cautious about canceling a credit card account because they fear it will be difficult to secure such a line of credit in the future, so they want to hold on to the lines of credit they have.

Credit-tightening policies should have been initiated long ago. Banks have been losing income due to credit card convenience users — those who pay their balance every month in full — and reduced merchant discount rates, triggered by card duality. When duality occurred, many banks acted hastily to build credit-card bases and good credit judgment was not always used. Mistakes resulted in high losses in some cases.

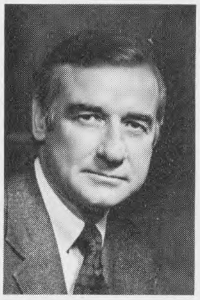
The Fed's action provides an opportunity for banks to reevaluate and slow down their credit-card operations and improve them. The Fed's action has resulted in a better awareness of the situation and has encouraged more rapid credit tightening on the part of banks.

The Fed didn't initiate this action, but its announcement supported it. Banks were retrenching before the Fed acted due to the cost of money getting close to the usury rate.

The Fed's action will help bring on a recession and make it a deeper one because the consumer spending slowdown will have a dampening effect on the economy that will contribute to a recession.

The Fed's action doesn't deal with the basic problem of long-term inflation, however. It's only a temporary move. Until we can balance the federal budget and pass legislation to give meaningful incentives to people to save and invest and until tax incentives are passed that result in improved productivity, inflation won't slow down. The inflation rate is so high that the depreciation allowance is no longer sufficient to encourage long-term investment and the investment tax credit isn't sufficient to encourage investment in new equipment. A more accelerated depreciation allowance is needed to encourage investment in more efficient plant and equipment so that more production can be obtained with the same amount of labor.

The Fed's action definitely will slow credit expansion. Many banks will be pulling in their horns in commercial lending as well as consumer lending.



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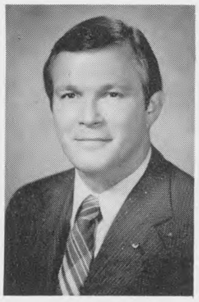

GRIFFIN

Credit-Request Denials, Project Phase-outs Seen

By George A. Baker
Executive Vice President
Continental Bank, Chicago

THE EFFECT of the Fed's credit-tightening action is that we won't be able to meet all our customers' borrowing requests. Customers have been setting up commitments in recent months in anticipation of the Fed's action.

Where it begins to bite is hard to predict. With the prime at 20% (at the time this was written), people are still borrowing. Obviously, different kinds of projects get phased out at different levels, but some industries are continuing to feel that they need to borrow and set up additional credit requirements.

The demand for commercial loans is increasing right along, despite government edicts. We're automatically up 15% in dollars over last year due to inflated dollars. If a customer is carrying inventory, he finds that the cost of that inventory is automatically 15% higher than it was a year ago.

In my view the Fed's action will not have an effect on inflation unless the government comes to grips with the fundamental, underlying problem causing inflation — government spending. This action by the Fed is just playing with numbers again. Inflation is going to be influenced by whether or not the government wants to live within its budget. The Fed's credit-tightening action is just an artificial way of using monetary policy to deal with the problem. If the President sticks to what he says he's going to do in combination with the monetary restraint placed on the banking industry, a posi-

(Continued on page 28)

tive impact on inflation could result. But there're so many things built into the inflation situation at this point that there can be no dramatic impact on inflation. Inflation is going to run double-digit as far into the future as we can see.

The Fed's policy will have an immediate impact on people borrowing money, but a delayed effect on what the end products of that impact will be. If firms put off projects, if they don't buy equipment, if they stop expansion that they would otherwise have undertaken, the delayed impact months or years later will be felt in reduced employment — things of that nature.


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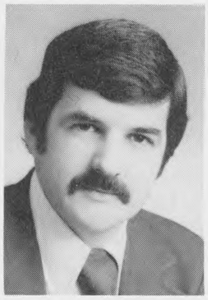
MAHAFFEY

'Interesting Times' Bring Credit Re-Pricing

By Eugene L. Mahaffey
Vice President
Commerce Bank, Kansas City

IF I'VE heard it expressed once, I've heard it a dozen times — the phrase "interesting times." While today's economic situation of rapid inflation and approaching recession is perhaps not unique, the level of interest rates and the government actions to address them are causing bankers of 20 to 30 years' experience to say that this is different from any previous experience.

Reactions by my peers in the industry to the recent moves by the Fed vary widely, from "business as usual" to a discontinuation of acceptance of new credits and a rollback in established credit lines. But the overriding reaction is a long overdue re-pricing of a service that traditionally has carried a large segment of its customer base free of charge. As state legislatures lift usury ceilings, banks rapidly follow suit with their interest rates. Annual fees, where allowed, are becoming commonplace. Where such fees are prohibited, elimination of the free period, net account concepts and discussions of other changes abound.

A major concern of mine is how all of this will be perceived by the consumer. Will we be labeled as responsible businessmen sensitive to the economic needs of the country who, at presidential direction, are acting to restrict the inflation-causing credit expansion trend? Or will we be viewed as opportunistic "price gougers" increasing prices to consumers as our institutions continue to record new levels of profitability?

Ideally, I would hope the consumer views us first of all as fair, offering a useful product at a reasonable price; that we are sensitive to the economic needs of the country but that we won't take the umbrella away when it rains, i.e., we will continue to service their needs in bad times as well as good. And finally, that we want to keep them as customers.

This will be our job in the months ahead but it won't be easy. There will have to be a redefining of the products and services we offer. The distinctions between credit services, transactional services and savings services will become less and less. As NOW accounts, debit cards, net accounts, etc., become reality, each cluster or mix of services must be costed and priced accordingly.

In my opinion March 14th will be viewed by the banking industry as either a revolution or a renaissance, depending on each institution's ability to meet the challenges and opportunities ahead. Those who are inflexible to the demands of the consumer and government regulations and those who resist competitive pressures from the many types of financial institutions entering our industry's traditional domain will find themselves unable to compete and eventually will be forced out of the marketplace or absorbed.

Institutions that are innovative and remain flexible to take advantage of product and service opportunities may ultimately look back on this period as one of a re-awakening; a new era of servicing the customer's needs, be they in the credit, transactional or savings areas.

Truly, these are interesting times!

Fed Action Seen as Credit Allocation Move

The following statement was prepared by Robert Morris Associates and is based on a survey of a portion of its membership.

THE CONSENSUS is that the Fed's program provided the shock that the country needed to slow down the economy, but is at the same time another move toward credit allocation. Each of the bankers polled by Robert Morris Associates was in favor of controlling inflation but indicated that credit control is not the best way to accomplish this goal. Many said the effect of the program will be substantial in the growth areas of the country, such as the sunbelt region. In parts where there is little or no growth, there won't be much change.

Bankers across the country feel the program's effect on inflation will be minimal. To cut the inflation rate measurably, the federal government must see that productivity is improved, spending is reduced and the budget is balanced, they said.

Many bankers said their customers have put lids on borrowing. They expressed concern for small businesses which, along with agriculture, are being cared for. However, many think that many small businesses will be falling by the wayside in the coming months, not necessarily because of a lack of credit availability, but because of credit's cost. As one banker put it, "I don't know what business can borrow today and still afford to survive. There's an economic point at which a company can no longer afford to borrow. We had reached that point before this program went into effect. Now things will accelerate even more."

Any slowdown will have a severe impact on business and there will be layoffs as a result.

Many Hardships Seen From Fed's Credit Action

By Earl N. Haldeman III
Assistant Vice President
First National, St. Louis

THE FED credit-tightening program has increased the cost of borrowed funds. It will therefore limit the

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dollars available for lending.

The restrictions being placed on lendable funds are going to cause some hardships from the standpoint of little, if any, increase in lines of credit to borrowers, a cutback in amounts extended to some borrowers, none extended to others and, in some cases, no new customers taken on. This, of course, is the goal of the Fed's program, and it's going to reduce borrowings and therefore curtail the growth of the money supply.

It's going to create some problems: higher operating costs for borrowers, both agribusiness and producers; it's going to increase the cost of goods sold to producers and therefore their operating costs as well as the interest costs on funds borrowed by producers. So producers will be hit with a double whammy.

The prices producers receive probably are going to be lowered, due to increases in interest costs being passed down by suppliers, such as grain elevators and packers. Their inventory handling costs are going up, so they're going to reduce the price paid to cover this extra expense. The result probably will be — from the producer's side, due to his increased costs — that he's got to stay within some kind of operating budget. If he hasn't budgeted yet, he's going to have to this year.

The result will be reduced use of inputs by producers, therefore reducing sales, both from what is sold and from what agribusiness sells to producers. There'll be a lower amount of production from the producer's side. These items are all going to affect the entire ag economy with reduced overall net income in production. This, in turn, is going to affect loan quality, repayment ability of borrowers and result in some difficult times for some borrowers. We've already seen a few instances where people have thrown up their hands and are having farm sales.

The overall effects of the program will include things such as, in the case of landowners, the tremendous paper wealth they've created. What they have gained due to inflation is going to be reduced and those who have gone out and leveraged themselves in order to expand are going to find themselves, in many instances, short of cash flow that's needed to meet debt and operating requirements.

Another area to be affected will be the young farmers just starting out. They probably will be forced out of business in many cases, unless they can receive backup assistance from family or some other source. It's going to be more difficult for the potential "new blood" entering agriculture to get started.

Another area affected will be farm and agribusiness expansion. These are going to be curtailed in the near term because of reduced sales income and opportunities to produce a profit.

This year, supplier credit is going to be tougher to obtain. Farm supply firms aren't going to supply credit too readily to farm customers. They will be careful. All this places the bank's lending position in a much tighter posture. Banks are going to require additional collateral — more equity in some cases, tighter collateral controls such as a third-party warehouse receipt, higher interest rates — to cover the risks and handling costs. This is in addition to the higher rates we're seeing due to the supply and demand of money. These are additional margin requirements to cover banks' exposure.

Overall, it's going to be a lot tougher to get bank credit. Banks are going to be hard on existing customers and harder yet if they accept new customers. A lot of this is due to the Fed's controls, which make the acceptance of new customers by banks quite difficult.

In general, the policy is tough and its results are tough. It's difficult to accept the problems being caused, but in the long run, such may be the best — and only — thing that can be done, because if we can stop the inflation process now, more serious credit tightening may be prevented later. It's really the lesser of two evils. It's tough today, but if we don't take action, it's going to be tougher tomorrow. ● ●

Credit Restraint Urged

Card holders throughout the U. S. are being urged to use their MasterCards and other personal credit instruments prudently and with restraint in a TV and radio message prepared by Interbank Card Association.

Shot against a Washington background, the public service message, delivered by Russell E. Hogg, Interbank president, stresses the importance of the individual card holder's efforts in the fight against inflation and advises limiting credit-card use to necessities and emergencies.

"We're all feeling the money squeeze these days and Washington has asked us all to help fight inflation," the message says. "Buy only what you need. Don't overextend. And, starting today, use your MasterCard only for necessities and emergencies.

"In fact, handle all your credit cards and charge accounts with good sense . . . and great care," the message concludes.

Ag Customers Frightened By Fed's Credit Action

By George Sell
Senior Vice President
First National, Lubbock, Tex.

UP TO NOW, monetary policy actions have had a fueling effect on inflation. The people of the U. S. have acquired an inflation intellect — thinking anything they do today should be done now because it will cost more to do it tomorrow. This attitude has negated the effect of high interest rates.

Ag customers are less inclined to think that way. They have been buying machinery up to the last weeks, but with the prime hitting 20%, they've become frightened people. They think we're on the verge of a severe economic crisis. They're holding back on capital expenditures because of their fears.

The Fed's tightening effect on agribusiness makes it harder for a producer to make a profit. The cost of money has gotten to a level where its hard to make an ag enterprise work — especially a feed-lot cattle operation. An average 600-700-pound steer will have a $65-70 per head interest bill on him when he comes out of the feed lot. This is a significant cost and can make the difference between profit and loss.

In recent months, losses have been increasing. Farmers are beginning to not place cattle on feed as a result: The fat-cattle market has taken a sharp downturn in the past few weeks. In the last 60 days there has been a slowdown in putting cattle on feed. In a few months, a lower number of fat cattle will be coming to market. Then the packers will be killing grass-fed and milk-fed calves, assuming there's a demand for them.

The Fed move has taken people beyond the inflation mentality and has scared them. This caused them to look at their "hole card," maybe begin to think again about saving some money and paying off some of their debts.

There's no question that the economy needed slowing down. But there's now a danger of overkill. The Fed needs to be attentive to the situation and be ready to take loosening measures rather than tightening further. Fiscal measures should be taken by the federal government so the budget can be balanced. If necessary, taxes should be increased to do this. Spending should be slowed. But this isn't politically feasible this year. ● ●

Portfolio-Quality Rise Seen Over Long Term

By Robert K. Georgeson
Executive Vice President
First National, Lawrence, Kan.

THE VARIOUS monetary and credit actions that the Fed has imposed are going to have a noticeable restraint on the volume of consumer credit in the short run. I think probably over a period of time they will tend to increase the quality of bank portfolios. In the longer term, as they are now structured, they also will be effective.

If the mechanics don't work, there's an attitude that, coupled with some other things, is going to be hard to sort out. For example, we may be starting a credit crunch — we may be well into it. In the longer term, the effect of the various plans is going to depend a great deal on whether or not the Administration and the Fed can withstand the political pressure to change policy. As the political campaign heats up, it will be surprising if President Carter doesn't yield to pressures not to tamper with the mechanism. The Fed is supposed to be independent of the Administration, but some actions over the past few years have shown that the Carter Administration has influenced the Fed, so it isn't totally immune to Administration pressure.

The idea is to curb consumer spending, but one of the things that my jury's still out on is the exceptions to the controls that include such areas as purchase-money mortgage-type items, which would include consumer goods that are bought on conditional sales contracts. For example, loans from savings accounts are exempt from the 15% reserve clause, so there still is a way to buy consumer goods.

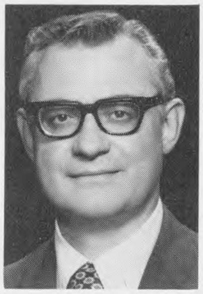
One of the things that's going to be difficult to sort out is whether the Fed's program is working or whether usury limits are doing the job. At a certain level, I'm sure there's no market for money. If the market exists and the demand exists and we had unlimited pricing with no usury restrictions, I suppose we could operate as usual, put up our 15% reserve and pass the cost on to the consumer. That would be an inflationary program. But I feel this won't happen. I feel the regulations are going to be effective as they're now structured. Loan portfolio growth will be reduced and that will reduce the rate of increase in the money supply.

At our bank, we've increased our down-payment requirements, upgraded credit background requirements and the customer's ability to pay.

Out of a $38-million loan portfolio, which includes our real estate, commercial and installment loans, we have only $4.25 million that falls into the Fed's guidelines category. This surprised us. We went through our loans individually instead of taking the percentage route.

If the government doesn't bite the bullet and quit spending, inflation's not going to be reduced much. You wonder what the Fed's going to do with that 15% in free reserves. I've seen no information about that! ● ●

TIDWELL



GEORGESON

Fed Action Reinforces Bank-Initiated Pullback

By Drew Tidwell
Vice President
Consumer Bankers Association
Washington, D. C.

AFTER TALKING with a number of members of the Consumer Bankers Association, I believe that credit controls have been imposed at a time when the industry, especially in the bank-card area, already was beginning to pull back. All the Fed action did was probably to accelerate a trend that was going to occur anyway.

To a certain degree, the action has given lenders an excuse to take actions that might, in the long run, make bank cards far more profitable than they had been previously. Now banks can cut down on lines of credit that have been unprofitable; they can modify prepayment mechanisms and levy other charges that might not have been imposed without the Fed's action because of marketplace considerations. I think banks are going to get rid of card holders who have been costing them a lot of money and whom banks no longer want on their books. And now they can blame the Fed for taking such actions!

The Fed's action could be a boon to the industry, but I think the trend already was moving in that direction of credit tightening and this action probably will add momentum to it.

At the same time, a few of our members have had some problems with concern on the part of individuals. Giving a 30-day notice that credit grantors are going to make changes, especially changes in terms, has made card holders nervous. There's a danger that we're going to see people go out and run up their credit balances and lenders are going to be forced to put up their 15% deposit at the Fed. This tends to be a continuing concern on the part of CBA members.

Also, many CBA members find the present Fed regulations on changes in terms are operationally unworkable. Those who consider the regs workable say they won't be able to implement them until sometime between July and October, which goes to show that if the reason for giving lenders this power is to cut down on credit or reduce it, the effect won't be apparent for some time. It amounts to a delayed-action situation because of the requirement that bankers must send notices to consumers and that if consumers use their cards they've accepted the terms. I'm told by those in the operations area that this will be very difficult to accomplish. It can be done by certain larger institutions, but for smaller ones it can't be done at all, or will take a long time.

A more efficient way of cutting down on credit would be to allow rates to rise to the market level. Usury in the long run makes money cheaper than it should be and has more of an impact on encouraging consumers to spend than anything else. In areas where rates have gone up, such as in the housing market, we find that people just aren't buying anymore. Complete abolishment of usury limits would be a far more efficient mechanism for trying to attain the Fed's goal than anything else they've come up with.

Taking out after credit cards was an easy political ploy. It caused our members a lot of headaches and we doubt in the long run that it's going to do that much good. The credit card people already were moving in the right direc-

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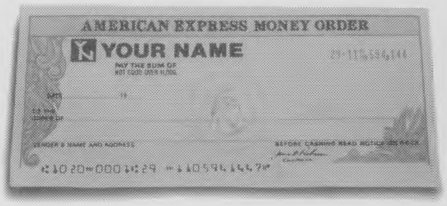

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tion to tighten credit. They were being forced to because they were losing their shirts.

I don't see much more tightening that could be done by the Fed. I think the credit card people are proving to the regulators that their actions are sufficient to forestall any more action by the Fed.

Probably a complete deregulation of the industry at both ends as far as what we have to pay for money as well as what we have to charge for loans would, in the end, do more to relieve and control inflation, but as long as you're putting artificial price restraints on both lending and deposit-taking, you're never going to have an efficient system. We're in a situation where it could be said that the protections built in during the 1930s are coming back to haunt all of us, fostering inflation at this time and creating inefficiencies. ● ●

Price-Relief Legislation Supported by Visa

A federal legislative proposal to afford pricing relief on bank charge cards was endorsed by the Visa USA board recently.

The proposal would deregulate all charges on bank cards to the extent they are used as a convenient payment device. The entire process by which a transaction is completed between card holder and merchant and paid in full by the customer within a reasonable period would be considered a payment transaction. The proposal calls for this transaction process to be priced in an open market free of restraint. The funds necessary to complete this cycle would be considered a part of the process and not an extension of credit and, therefore, not subject to state usury laws.

"There is general agreement among the financial and retail communities that state usury laws should be preempted by federal legislation and that all charges for payments services or credit be established by free market competition," said Charles T. Russell, executive vice president, Visa USA. "Our concern is that such proposals may take considerable time. Meanwhile, bank card issuers are losing money and card holders and retailers face serious curtailment of service. Our legislative proposal is designed to provide immediate relief for the industry and to forestall adverse effects on service."

The Importance of Responsible Criticism

Editor's Note: The following statement was made in connection with Big Business Day, sponsored recently by a broad coalition of union, liberal and consumer political action groups to target what they term the abuses of large corporations.

By C. C. Hope Jr.
President
American Bankers Association

BANKERS, as do other thoughtful citizens, recognize that responsible criticism of various elements of American society has been and always will be an important part of our system of checks and balances. In a democratic society, this is a necessity.

At the same time, however, we feel strongly that such criticism should be constructive, not destructive, and should be targeted at real abuses or excesses, rather than launched with sweeping generalities that tend to tar all with the same brush. In our opinion, business, whether big or little, plays a vital role in weaving the economic and social fabric of our country.

The business of banking, for example, is one that affects each and every one of us in a positive manner — from family home owners to large industries that depend on raising funds to grow, create jobs and contribute to our national economy and well being.

Certainly, our larger banking institutions often are in the national news because their vital role in our economic system is more visible. Yet only a small number of the more than 13,000 commercial banks in our ABA membership fall into this category.

The great majority of America's bankers operate day in and day out in local communities across the nation. They provide financial services not only for business and industry but for farmers, small businessmen and women, builders, college students and other individual consumers.

At a time when the country is facing severe internal economic strains as well as difficult international problems, I believe we might better focus on the strengths and contributions of our economic institutions rather than their blemishes.

In my travels back and forth across our great country, I find that most Americans feel this way. They are proud of the principles of our private sector institutions that contribute so much to our strength.

We, as bankers, are proud of the role we have played and continue to play in the growth and development of our society.

Are You Prepared?

(Continued from page 12)

delivery, or do they follow predictable patterns?

These questions should provoke thoughts along the lines of physical security, for adverse answers will reveal weaknesses in your physical security setup and could easily indicate trouble spots that eventually may result in large losses.

Are you exercising rigid cash controls in your bank?

There is an extremely valid reason for a bank not to want to attract bank robbers. It is the protection of the lives of personnel and customers. Also, no bank, though reimbursed for its monetary loss by its insurance carrier, wants the stigma and adverse publicity that accompany these crimes, nor the increased bond premiums and renewal difficulties.

There is no question that an alert and informed bank fraternity is the first line of defense against bank robbers. Therefore, keep your cash exposure at a minimum and exercise all other common-sense procedures to guard against bank robberies. ● ●

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High Performance Banking Services

"Our sole objective is to simplify, not mystify, the achievement of high performance.

Bankers across the country who share this objective with us are finding that significantly higher performance can be achieved through the use of often amazingly simple straightforward approaches learned primarily from other bankers. We serve as a catalyst and clearinghouse for innovative approaches to high performance.

Any leadership role we have achieved is simply a reflection of carefully listening to the high performance bankers and then working to put their approaches into broader use throughout the banking community.

We do not do any consulting work. Quite frankly, our total energies are devoted exclusively to serving our clients at a modest cost by providing useful information and seminars focused on what we firmly believe are the essentials of high performance banking."

Alex Sheshunoff

For more information, please write Alex Sheshunoff, Sheshunoff & Company, 611 South Congress Avenue, Austin, Texas 78704 or phone (512) 444-7722.

This ad was sponsored by banks belonging to First Arkansas Bankstock Corp. (FABCO), headquartered in Little Rock. It explained Fed's credit-restraint program.


You. Your Credit.
Your President's New
Anti-Inflation Program.

A Statement From The FABCO Banks.

On March 14, 1980, President Carter announced his anti-inflation program, outlining five programs aimed at coming to grips with inflation.

One of these was an effort to restrict the use of credit in all parts of the economy. Following the President's announcement, the Federal Reserve Board, through its chairman, handed down to the country's financial industry a program to implement this credit restriction.

How will the Federal Reserve Program be implemented and how will it affect individuals and businesses in Arkansas?

The Federal Reserve's program is divided into three basic areas: special credit restraint, consumer credit restraint and increased reserve requirements on the financial industry. Here is a brief look at each of these areas.

The Special Credit Restraint Program:

This program directs banks to restrict their growth in total loans, while at the same time maintaining a reasonable availability of loan funds for small businesses, farmers, housing, and agriculturally-oriented institutions.

It also directs banks to give special attention to restraining the use of credit for corporate take-overs or mergers, retirement of corporate stock, or any loan which is of a speculative nature.

The Consumer Credit Restraint Program:

The consumer credit restraint program is designed to slow the expansion of and restrict consumer credit of all types. This includes not only banks but also retail outlets, credit card companies and any other institution that makes available unsecured consumer credit. It also places a 15% reserve requirement against any expansion of this type of credit after March 14.

This will necessitate the imposition of new policies aimed at controlling this phase of the financial industry. Most directly, it will involve banks who issue credit cards -- each bank is directed to initiate its own restrictive rules and regulations immediately.

Additional Reserve Requirements with the Federal Reserve Bank:

This part of the credit restraint program is aimed at that sector of the financial services industry which lends money to major commercial and industrial credit users. Banks are restricted in purchasing funds in the general market, marking those funds up and lending them to the major credit users.

This provision requires a 10% penalty reserve be held in the Federal Reserve Bank by the larger financial institutions using these funds to lend to major credit users.

What does all this mean to FABCO bank customers and the Arkansas economy?

Quite simply, it means credit will be less available for average, everyday use.

It means businesses and industries must restrict and postpone their major uses of credit.

It means credit will be more expensive because more of each lending institution's funds will have to be held in additional reserves in the Federal Reserve Bank.

And in Arkansas we have the problem of meeting these new federal credit restrictions while at the same time dealing with the extremely difficult limitations already placed on us by our antiquated state usury law.

What lies ahead?

We are confident that the uncertain economy now facing all of us will pass. In the meantime, each of us should carefully examine our uses of credit. This fight will test all Americans. It will be in the best interest of this country to postpone the use of credit now in order to ensure a better future.

Beating inflation is possible. But no one act, law, rule or regulation will accomplish it. It will take all Americans working together, exercising their best judgement, in order to accomplish this task.

The FABCO banks are anxious to counsel with you. We will advise you as best we can on the current credit situation and the future prospects of changes in these restrictive policies. The only thing we can predict with certainty is that by working together inflation can be beaten.

The FABCO Banks

Worthen Bank & Trust Company, N.A., Little Rock, Arkansas
First National Bank in Mena, Mena, Arkansas
First National Bank of Hot Springs, Hot Springs, Arkansas
The Stephens Security Bank, Stephens, Arkansas

First Arkansas Bankstock Corporation

Members FDIC

Bank Ads Focus On Credit Restraint, Inflation Fight

THE anti-inflation and credit-restraint programs announced March 14 by the President and Fed have received a lot of publicity in newspapers, magazines and on TV. Yet, does the general public really understand the mechanics of these programs and what they're supposed to accomplish? Are some people so confused they believe they can't get any more credit from banks or use their credit cards? If they don't know how these programs work, how can they be expected to support them?

To clarify the situation in the Little Rock area, First Arkansas Bankstock Corp (FABCO), a multi-bank HC, ran an ad in local newspapers headed, "You. Your Credit. Your President's New Anti-Inflation Program." It was signed by the FABCO banks: Worthen Bank, Little Rock; First National, Hot Springs; First National, Mena, and Stephens Security Bank.

In Tennessee, Ancorp Bancshares, headquartered in Chattanooga, created an ad featuring an open letter to the President of the U. S. and Congress for use by its member banks, American National, Chattanooga, and Hamilton Bank, Johnson City. This ad pledged the banks' support of the Administration in trying to curb inflation, but asked the government to institute spending cuts of its own this year, not in 1981.

In their ad, the Ancorp banks in Tennessee said,

"It's time for all of us to get together and apply the brakes to inflation.

"The crushing burden of high prices and ever-escalating inflation is nothing less than a hidden tax on the American people to support the government's uncurbed appetite for spending.

"It has long since ceased to be a question of denying ourselves the comforts accepted as part of the American way of life. Moreover, it has become a real challenge for the average family to feed, clothe and shelter themselves.

"For our part, we applaud the intent of the Administration's effort to stem the rising tide of inflation. Although we are philosophically opposed to artificial controls in a free-market economy, we are cognizant of the present emergency and intend to comply fully with the recently announced Administration and Federal Reserve proposals and regulations, and in the truest spirit of public trust. Our loan policy will reflect a strict adherence to guidelines based on 'needs versus wants.'

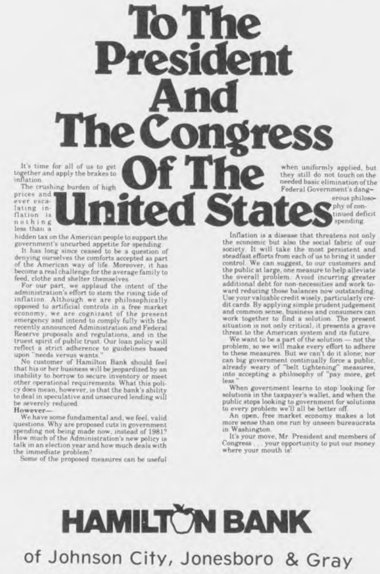
"No customer of Hamilton Bank (or American National when the ad appeared in Chattanooga) should feel that his or her business will be jeopardized by an inability to borrow to secure inventory or meet other operational requirements. What this policy does mean, however, is that the bank's ability to deal in speculative and unsecured lending will be severely reduced.

"However —

"We have some fundamental and, we feel, valid questions. Why are proposed cuts in government spending not being made now, instead of 1981? How much of the Administration's new policy is talk in an election year and how much deals with the immediate problem?

"Some of the proposed measures can be useful when uniformly applied, but they still do not touch on the needed basic elimination of the federal government's dangerous philosophy of continued deficit spending.

"Inflation is a disease that threatens not only the economic, but also the social fabric of our society. It will take the most persistent and steadfast efforts from each of us to bring it under control. We can suggest, to our cus-


To The President And The Congress Of The United States

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Some of the proposed measures can be useful when uniformly applied, but they still do not touch on the needed basic elimination of the Federal Government's dangerous philosophy of continued deficit spending.

Inflation is a disease that threatens not only the economic but also the social fabric of our society. It will take the most persistent and steadfast efforts from each of us to bring it under control. We can suggest, to our customers and the public at large, one measure to help alleviate the overall problem. Avoid incurring greater additional debt for non-necessities and work toward reducing those balances now outstanding. Use your valuable credit wisely, particularly credit cards. By applying simple prudent judgement and common sense, business and consumers can work together to find a solution. The present situation is not only critical, it presents a grave threat to the American system and its future.

We want to be a part of the solution — not the problem, so we will make every effort to adhere to these measures. But we can't do it alone; nor can big government continually force a public, already weary of "belt tightening" measures, into accepting a philosophy of "pay more, get less."

When government learns to stop looking for solutions in the taxpayer's wallet, and when the public stops looking to government for solutions to every problem we'll all be better off.

An open, free market economy makes a lot more sense than one run by unseen bureaucrats in Washington.

It's your move, Mr. President and members of Congress . . . your opportunity to put our money where your mouth is!

HAMILTON BANK

of Johnson City, Jonesboro & Gray

WE'RE WITH YOU

Speak out! Let your elected representatives hear what you have to say.

Open-letter-type ad implored President and Congress to do their part in fight against inflation by cutting government spending now, not in 1981. Ad was sponsored by Ancorp, Chattanooga, Tenn., and was run over signatures of American Nat'l, Chattanooga, or Hamilton Bank, Johnson City, Tenn.

READ THE BOOKS THAT INSPIRED A REVOLUTION.

For years, documentation was regarded as nothing more than "a book that goes with the system."

Kind of a do-it-yourself manual filled with simple charts and trouble-shooting lists.

This wasn't just unfair to data processors. It deprived the bank of really using a system to its fullest potential.

We recognized this documentation vacuum as early as 1969. And, for the times, our response was considered nothing short of revolutionary.

First, we made documentation a major component of the system itself. The "key," if you will, to understanding — and maximizing — its enormous potential.

Every detail of every operation is described and defined and redefined again. What's more, it's written to be understood at *all* levels of training and expertise.

Secondly, we made documentation a *multi-dimensional* tool. For example, our Operations Manual is designed primarily for those in management and operating positions. The Systems Manual, on the other hand, contains a complete description of the computer programs involved.

Indeed, both will give an overall concept of what the system will do for the bank. But each is designed to give specific information *and* direction for different levels of responsibility.

What it all means is this.

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tomers and the public at large, one measure to help alleviate the overall problem. Avoid incurring greater additional debt for non-necessities and work toward reducing those balances now outstanding. Use your valuable credit wisely, particularly credit cards. By applying simple prudent judgment and common sense, business and consumers can work together to find a solution. The present situation is not only critical; it presents a grave threat to the American system and its future.

"We want to be a part of the solution — not the problem, so we will make every effort to adhere to these measures. But we can't do it alone; nor can big government continually force a public, already weary of 'belt-tightening' measures, into accepting a philosophy of 'pay more, get less.'

"When government learns to stop looking for solutions in the taxpayer's wallet, and when the public stops looking to government for solutions to every problem, we'll all be better off.

"An open, free-market economy makes a lot more sense than one run by unseen bureaucrats in Washington.

"It's your move, Mr. President and members of Congress . . . your opportunity to put our money where your mouth is!"

At the bottom of the ad, readers were asked to "Speak out! Let your elected representatives hear what you have to say."

Chauncey W. Lever, president of Hamilton Bank, reports that he has received no negative comments on the ad. In fact, some area residents have told Mr. Lever they clipped the ad and sent it to their congressional representatives or to the President.

Perhaps newspaper readers in other cities would respond the same way. Any banker interested in running such an ad may write either American National, Chattanooga, or Hamilton Bank, Johnson City, for a copy.

American National of Chattanooga, lead bank of Ancorp, and its president, John P. Wright, are not new at this type of dialogue with the public. In 1978, after the Comptroller ruled that all national banks had to display customer-complaint form in their lobbies, Mr. Write decided to turn a potentially negative situation into a positive one by having his marketing department design a consumer-response form to go alongside the Comptroller's forms. This form is a three-panel piece with copy asking the customer to rate the bank's services and personnel on a polar scale of excellent to poor. The respondent also is asked to rank the things he likes most and least about the bank. Additional space is provided for complaints, comments and suggestions. The form is addressed to Mr. Wright, who reads each completed one and then sends it to the marketing department, which, after recording the information, sends it to the bank officer who can handle the customer's comment or question.

The FABCO banks' ad in Arkansas read, "On March 14, President Carter announced his anti-inflation program, outlining five programs aimed at coming to grips with inflation.

"One of these was an effort to restrict the use of credit in all parts of the economy. Following the President's announcement, the Federal Reserve Board, through its chairman, handed down to the country's financial industry a program to implement this credit restriction."

Then there were some questions and answers, as follows:

"How will the Federal Reserve program be implemented and how will it affect individuals and businesses in Arkansas?

"The Federal Reserve's program is divided into three basic areas: special credit restraint, consumer-credit restraint and increased reserve requirements on the financial industry. Here is a brief look at each of these areas.

"The Special Credit-Restraint Program:

"This program directs banks to restrict their growth in total loans, while at the same time maintaining a reasonable availability of loan funds for small businesses, farmers, housing and agriculturally oriented institutions.

"It also directs banks to give special attention to restraining the use of credit for corporate take-overs or mergers, retirement of corporate stock or any loan which is of a speculative nature.

"The Consumer-Credit-Restraint Program:

"The consumer-credit-restraint program is designed to slow the expansion of and restrict consumer credit of all types. This includes not only banks but also retail outlets, credit card companies and any other institution that makes available unsecured consumer credit. It also places a 15% reserve requirement against any expansion of this type of credit after March 14.

"This will necessitate the imposition of new policies aimed at controlling this phase of the financial industry. Most directly, it will involve banks that issue credit cards — each bank is directed to initiate its own restrictive rules and regulations immediately.

"Additional Reserve Requirements With the Federal Reserve Bank:

"This part of the credit-restraint program is aimed at that sector of the financial-services industry which lends money to major commercial and industrial credit users. Banks are restricted in purchasing funds in the general market, marking those funds up and lending them to the major credit users.

"This provision requires a 10% penalty reserve be held in the Federal Reserve Bank by the larger financial institutions using these funds to lend to major credit users.

"What does all this mean to FABCO bank customers and the Arkansas economy?

"Quite simply, it means credit will be less available for average, everyday use.

"It means businesses and industries must restrict and postpone their major uses of credit.

"It means credit will be more expensive because more of each lending institution's funds will have to be held in additional reserves in the Federal Reserve Bank.

"And in Arkansas we have the problem of meeting these new federal credit restrictions while at the same time dealing with the extremely difficult limitations already placed on us by our antiquated state usury law.

"What lies ahead?

"We are confident that the uncertain economy now facing all of us will pass. In the meantime, each of us should carefully examine our uses of credit. This fight will test all Americans. It will be in the best interest of this country to postpone the use of credit now in order to ensure a better future.

"Beating inflation is possible. But no one act, law, rule or regulation will accomplish it. It will take all Americans working together, exercising their best judgment, in order to accomplish this task.

"The FABCO banks are anxious to counsel with you. We will advise you as best we can on the current credit situation and the future prospects of changes in these restrictive policies. The only thing we can predict with certainty is that by working together inflation can be beaten."

According to Edward M. Penick, chairman/CEO of FABCO and Worthen Bank, the bank has made available copies of the ad to any business in the community that would like to use it on an employee bulletin board or in any effort for the public to understand the need for the program. ● ●

The Fed's Credit-Restraint Program: What Do Rural Bankers Think?

BANKERS generally are voicing support of the anti-inflation and credit-restraint programs announced March 14 by the President and Fed, but with some reservations. Although bank customers want something done about inflation and would like to support the government's efforts, many of them are confused about the new programs.

For instance, Gilbert E. Coleman, president of the $86-million Security Bank, Mount Vernon, Ill., says, "We have had little reaction from our customers as a result of the Fed program. I am sure they do not understand the implication of it. It is a shame the Fed has been and will continue to fight the inflation problem alone when the President and Congress could contribute to the situation by limiting their spending. We see little hope of this in an election year.

"We feel the executive and legislative branches of our federal government thoroughly misunderstand their constituents' attitudes at this time. We feel the public is poised for a real budget-cutting and cost-cutting approach. The President and legislators still feel the way to get votes is to continue to pour more money back into their districts even though it has caused and will cause inflationary pressures and continuation of high interest rates."

An officer of a $50-million Tennessee bank comments, "Most (customers) don't understand, but are sick of nothing being done about inflation that helps."

John V. Harding, president of the $56-million First National, Dodge City, Kan., says his customers "want to support government in its efforts to control inflation, but are not confident they can continue their operations in a high-rate environment."

Mr. Harding believes the Fed's program will be effective because interest-rate levels are causing people to liquidate debt and delay expansions. He reports that his bank is not making new loans and is restricting speculative credit extensions. In the customer area, he foresees reduced deposits and consumer lending; businesses in his community will experience a down trend over the next few months; housing will be extremely tight, and agriculture will show a loss for the year.

For his own bank, Mr. Harding believes there will be slow asset growth, poorer credit quality and thus more selective credit policies than in the past.

He forecasts an extremely poor year for his farmer/agribusiness customers, with net losses from their operations and increases in their term debt loads.

For small retailers, Mr. Harding points out that they cannot afford to borrow more money at prevalent high rates. His bank will encourage them to make continual reviews of their inventory levels and receivables.

Mr. Harding pledges that his bank will try to comply with guidelines issued by the Comptroller and Fed on classification of installment debt. "We won't deceive anyone with incorrect figures," he adds.

"We feel the executive and legislative branches of our federal government thoroughly misunderstand their constituents' attitudes at this time. We feel the public is poised for a real budget-cutting and cost-cutting approach. The President and legislators still feel the way to get votes is to continue to pour more money back into their districts even though it has caused and will cause inflationary pressures and continuation of high interest rates."

Gilbert E. Coleman, President
Security Bank & Trust Co., Mt. Vernon, Ill.

Mr. Coleman of Mount Vernon believes the Fed program will have only minor effect because loans for the building trade, small businesses, automobiles and agriculture are exempt, and from his standpoint, this is a major sector of the credit function.

His bank, he continues, always intends to comply with federal and state regulations. He believes it won't be difficult in the case of the Fed's credit-restraint program because, as he pointed out above, most of his bank's loan activities are in the exempt areas. In addition, since Security Bank's loan expansion has been considerably greater than the 6%-9% limitation set by the Fed and because Mount Vernon is in a strong growth area, he doesn't believe his bank's increase would be subject to the 6%-9% guidelines.

Again, because of the types of loans his bank makes, Mr. Coleman doesn't believe restrictions imposed in the Fed's program will have much effect on his bank's depositors or consumer-loan customers or on the community or the bank itself. In addition, he says, interest rates have become so high they already have curtailed much of the lending.

Mr. Coleman says his bank will restrict loans for speculative purposes even though they may be strongly collateralized. He points out that banks often have more difficulty during high-interest times because of rate fluctuation and resulting narrowing of spreads.

The President has said agricultural loans should be exempt from his guidelines. Because of this and the fact that high interest rates already were in effect before March 14, says Mr. Coleman, the new programs should not affect farmers much. He adds that some young farmers and some farmers already in weak positions may not be able to function in this environment.

His bank doesn't intend to hire more people to handle the reporting paperwork that will be necessary because of the program. Mr. Coleman says some of his present employees will be taken away from other responsible and necessary jobs. However, he says,

(Continued on page 63)

Kissinger, Nadler, Brinkley Head List Of Speakers for Illinois Convention

Gunderson, Heller Also Will Appear

A DISTINGUISHED lineup of speakers is scheduled to appear at the 89th annual Illinois Bankers Association convention, to be held this year from June 5-7 at Stouffer's Riverfront Towers, St. Louis.

Heading the speakers' list are Henry Kissinger, former U. S. Secretary of State; David Brinkley, news commentator; Paul S. Nadler and Walter W. Heller, economists; Frederick H. Schultz, Fed vice chairman; and Lee Gunderson, ABA president-elect.

Messrs. Schultz, Heller and Gunderson will speak at the first general session on Friday, June 6; Messrs. Brinkley and Kissinger will appear at the second session on Saturday morning, along with Daniel G. Sisler, professor of agricultural economics at Cornell University. Mr. Nadler will be the banquet speaker on Saturday evening.

Mr. Schultz' term as Fed vice chairman began last year. He is a former speaker of the Florida House of Representatives; was chairman, Citizens' Committee on Education; has been chairman, Florida Education Council, and member, National Council on Educational Research.

He is a former president, Jacksonville Chamber of Commerce, and a trustee, Jacksonville University and the Bolles School. He has received a number of civic service awards, including the Louis Brownlow Prize given by the American Association of Public Administration and the Council of State Governments for writing during 1969 in the field of state government. He was a Kennedy Fellow at the Harvard University Institute of Politics in 1971.

He joined Barnett National, Jacksonville, Fla., in 1956 and opened his own investment service the following year. At the time of his appointment to the Fed, he was chairman, Barnett Investment Services, a subsidiary of Barnett Banks of Florida, and a director of the HC.

Walter W. Heller is regent's professor of economics at the University of Minnesota, which he joined in 1946. He has served as consultant to the executive office of the president and to the congressional budget office. He was chairman, President's Council of Economic Advisers, from 1961 to 1964. He is a director of National City Bank, Minneapolis.

NADLER

KISSINGER

BRINKLEY

Mr. Gunderson's banking career began in 1952 in South Dakota. He moved to Wisconsin in 1961 and joined his present institution, Bank of Osceola, as executive vice president/CEO in 1966. He was elected president in 1976. He is a past president, Wisconsin Bankers Association, and is presently a member of the association's state legislative committee and a director of Wisconsin BankPAC.

From 1972-74 he served as ABA vice

Convention Calendar

Thursday, June 5

9:00 a.m.—Registration/Exhibits, South Exhibit Hall.
9.30 a.m.—Golf Tournament, Clinton Hills Country Club.
Noon —Past Presidents, Treasurers and Wives Luncheon, Chads Room.
3:00 p.m.—Council of Administration Meeting, Field Room.
6:00 p.m.—Mississippi Get-Together Reception, South Exhibit Hall.

Friday, June 6

7:30 a.m.—Graduates of Schools of Banking of Illinois Club Breakfast, Field Room.
8:00 a.m.—Exhibits/Registration, South Exhibit Hall.
8:45 a.m.—First General Session, Mississippi-Illinois Room.
Noon —Lunch at the Fairgrounds for Spouses, Meramec Room.
—Gateway Luncheon for Group, Federation Officers, Missouri Room.
—Blue Ribbon Bankers 50-Year Club Luncheon, Lewis & Clark Room.
2:00 p.m.—Workshops: NOW Accounts & Investments (Repeated at 3:30 p.m.), Mississippi, Illinois Rooms.

Saturday, June 7

8:00 a.m.—Exhibits/Registration, South Exhibit Hall.
8:45 a.m.—Second General Session, Mississippi-Illinois Room.
Noon —Lunch on the Midway, Missouri-Meramec Room.
2:00 p.m.—IBA Annual Meeting and Business Session, Mississippi-Illinois Room.
6:00 p.m.—General Reception, South Exhibit Hall.
7:00 p.m.—The Captain's Table Banquet, Grand Ballroom. Dancing to Art Mooney Orchestra.

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president for Wisconsin and from 1972-77 as a member of the ABA's communications council, where he served a term as chairman. Recently he was a chairman of the ABA task force on member communications, from 1975-77 he was on the ABA board of directors and from 1975 to the present, has been a member of the government relations council.

Mr. Sisler has performed research in economics in Nepal, India, Bangladesh, Pakistan, Malasia, Indonesia, Iran, Kenya, Botswana and Mexico. He is the author of three books, 33 reference articles and numerous staff papers. His main areas of research include domestic agricultural policy, international trade and U. S. agriculture and the impact of new technology on employment, nutrition and income in developing countries.

He joined Cornell's faculty in 1960 and was a visiting professor at Yale's department of economics from 1969-70.

Mr. Brinkley has served as co-anchorman of the "NBC Nightly News" since June, 1976, and is a veteran of 36 years with the network's news staff. He is the recipient of every major broadcasting award and has served as anchorman for a series of special reports, including one titled "Henry Kissinger: On the Record."

Mr. Kissinger served as U. S. Secretary of State from 1973 to 1977. After serving in the U. S. Army Counter-Intelligence Corps in West Germany, he went to Harvard where he was awarded a BA in 1950, an MA in 1952 and a PhD in 1954. He served on the faculty of Harvard until becoming assistant to the President for National Security Affairs in 1969. He was awarded the Nobel Peace Prize in 1973 for his efforts to bring about a peaceful conclusion to the Vietnam War.

He is the author of seven books, including the current "The White House Years," which reflects on his views from the history of politics to arms control to Vietnam and the Middle East.

He presently serves as professor of diplomacy, School of Foreign Service, Georgetown University, Washington, D. C.; as special consultant for world affairs, NBC; and as chairman, international advisory committee, Chase Manhattan Bank, New York City.

Paul S. Nadler is professor of business administration, Rutgers University, New Brunswick, N. J. He also serves as a faculty member for the Stonier Graduate School of Banking. He has been teaching since 1951 and considers himself to be an economist who cares about the banking industry and its people.

He serves as the director of banking schools for the Bell System and for IBM and is a prolific writer of books and articles for banking publications. He is the originator and producer of the "Banker Executive Seminar Series" of monthly tape cassettes on banking. ● ●

Gavin Weir to Preside At Ill. Convention

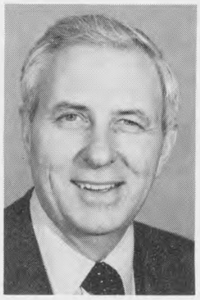
Presiding at this year's Illinois Bankers Association convention will be Gavin Weir, chairman/president, Chicago City Bank, and IBA president for the 1979-80 term.

Serving with Mr. Weir during the term have been Jack D. Lemmerman, president, National Bank, Monmouth — IBA first vice president; James A. Fitch, president, South Chicago Savings — IBA second vice president; and Charles N. Finson, president, National Bank, Monticello — IBA treasurer.

Mr. Weir joined Pullman Bank, Chicago, in 1950 and is a former president, County Bank, Blue Island. He was an organizer and presently serves as a director, First Suburban Bank, Olympia Fields, and is president and director of both Chicago City Bancorp. and Chicago City Investment Co. He joined his present bank as president/CEO in 1970 and was named chairman in 1977.

Mr. Lemmerman began his banking career in 1947 with his present institution. He attained officer status in 1953 and has been chairman/CEO since 1979. He is a former IBA treasurer and is currently ABA vice president for Illinois. He is a graduate of the Illinois Bankers School and has served as IBA chairman for Illinois BankPAC.

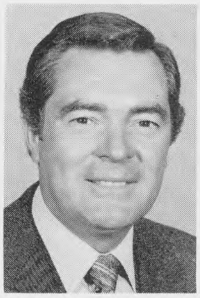
Mr. Fitch entered banking in 1956 at his present bank. Three years later he was promoted to officer status and was named president in 1968. He has served two terms as president, IBA Group One. He presently serves on the IBA's executive committee, council of administration and committee on state legislation. He is chairman, committee on federal legislation.



FITCH

FINSON

Mr. Finson joined his present bank in 1957 as president. He is a past member of the IBA council of administration, chairman of the IBA Agricultural Lending School, chairman of the ABA ag bankers division and a past president of the IBA agricultural division. He is an instructor at the IBA Ag Lending School and the Advanced Ag Lending Clinic.



WEIR

LEMMERMAN

First National, Cicero, has elected new board members. They are: John J. Gleason, president, Gleason & Associates, River Forest; Walter Daniels, president, Walter Daniels Construction Co., Inc., Park Ridge; and River Forest residents, William T. Gatziolis, president, Thos. J. Gatziolis & Co., Inc.; John T. Flynn, a securities broker on the Chicago Board of Trade, and James A. Maddock, president, Maddock Mechanical Industries, Inc. In addition, the bank named E. Rachel Brooks personnel officer and Emil G. Larsen Jr., assistant cashier.

Joan Werges has returned to Alsip Bank as assistant vice president in charge of the bookkeeping department. She was holding that post when she left the bank in October, 1978.

First National, Winnetka, has appointed Steven J. Neudecker to vice president/controller, James D. Kottmeyer to cashier, John E. deRivera to assistant vice president and Dorothy Marquardt to personal banking officer.

HARRIS

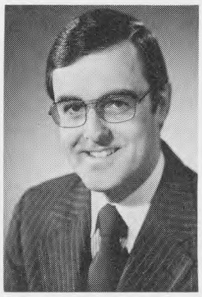
BLISS

WEST

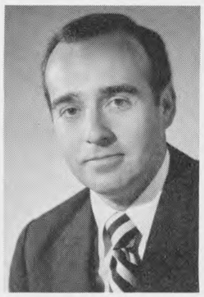
Top-management changes were announced at the 1980 annual meeting of stockholders of Harris Bankcorp., Chicago. Stanley G. Harris Jr., chairman of the HC and of Harris Trust, Chicago, will take early retirement June 30. Charles M. Bliss, president/CEO of the bank and HC, will succeed Mr. Harris as chairman of both July 1. B. Kenneth West, executive vice president/head of the banking department at the bank, will take Mr. Bliss' place as president of the bank and HC. Mr. Harris will continue as a director of the bank and HC. He is a grandson of Norman Wait Harris, who, in 1882, founded the investment banking firm, N. W. Harris & Co., predecessor of the bank.

Died: Philip N. Peterson, 78, retired president, First National, Rockford, in April. He entered banking in 1923 in Laurens, Ia., then served with the Comptroller's national bank liquidation division before joining First National in 1933. He became president in 1943 and retired in 1963.

Stanley A. Latham and Colin C. Johnston have been named heads of divisions within the correspondent banking group of the commercial banking department at Chicago's First National. Mr. Latham, a vice president, now heads the east central division, covering Illinois, Indiana and Michigan. Mr. Johnston, also a vice president, heads the west central division, which includes Kansas, Kentucky, Missouri, Wisconsin, Iowa, Minnesota, Nebraska, Colorado, North and South Dakota, Wyoming and Montana.



JOHNSTON



LATHAM

Merc Panel Says Recession Is Here; Fed's Credit Plan Could Be Effective

Donald E. Lasater (c.), ch./CEO, Mercantile Bancorp. & Mercantile Trust, and Neal J. Farrel (r.), pres., Mercantile Trust, present plaque to Ralph N. Taake Jr., pres., First Bank, Cairo, Ill., in commemoration of more than 100-year correspondent relationship between two banks. A number of other banks were similarly honored.

ALTHOUGH the much-heralded and delayed recession has begun, it will be relatively mild and won't affect some areas of the economy. This is the consensus of a panel of economists who appeared at Mercantile Trust's 25th Correspondent Banking Conference and Baseball Party in St. Louis last month.

Panelists included John H. Blixen II and Richard L. Johannesman, both senior vice presidents at Mercantile Trust, and Eugene A. Leonard, senior vice president, Mercantile Bancorp. John W. McClure, vice president and head of Mercantile Trust's central group, served as moderator.

In commenting about the recession that he predicted for 1979 at last year's conference, Mr. Leonard cited a resurgence in money growth that cut the 1979 recession short.

Although the 1980 recession will be modest, Mr. Blixen said, the delay in its arrival has made prospects for a deeper recession more likely. A decline in the GNP of less than 1% is expected this year, with the current quarter expected to be the first one in which the decline will be registered.

Mr. Johannesman, in commenting on the Fed's credit-tightening actions, said the Fed is on a tightrope that could result in overkill. Yet he feels Washington isn't fighting inflation hard enough; if inflation shows signs of receding, Washington won't keep up the fight and the momentum might be lost, he said.

He said interest rates may not have peaked and the flight to quality investments could be short-lived and result in increased loan demand for banks. If the dollar rate improves, he said, foreigners will cash in their securities for dollars, which could have an effect on interest rates.

Mr. Leonard said he was impressed with Fed Chairman Paul Volcker's leadership, but that the Fed's new credit-tightening policy isn't a good one. It's not Mr. Volcker's plan, he said, but one that came from the White House. Mr. Volcker's plan for a gradual slowing of the growth rate is "meaningful restraint," but an accelerated tightening policy could result in less than a satisfying result.

Mr. Blixen said the Fed's fiscal policy program is "meaningless." He said the budget balancing "act" of the Carter Administration is only a tax increase. He added that the recession has come at the worst time for Mr. Carter because its effect will be greatest at election time.

In response to a question inquiring if it's too early to tell if the Fed's program will be effective, Mr. Leonard said the credit-restraint program could work, but, if success is achieved, it will be the Fed's earlier policy that is responsible, not the new controls, which he branded as "cosmetic." The Fed might succeed in spite of the new controls, he added, but the same result would have come about in time without them.

William E. Weigel (l.), e.v.p., First Nat'l, Centralia, Ill., chats with James E. Brown, pres., Mercantile Bancorp., during Mercantile Correspondent Banking Conference in St. Louis last month. Mr. Brown served as moderator of regulator panel.

Mr. Blixen said the areas most affected by the recession will be housing and autos. The agricultural sector has some problems that will continue, he said, and durable goods will be weak. He added that the productivity growth of the economy is near zero and only consumer spending could change the situation.

On the other hand, he said, the biggest growth sector now is energy. He predicted unstoppable growth in this area for the next five to 10 years. He added that health care also will be a strong area over the coming decade and that pent-up demand for housing will result in a strong resurgence of that industry by 1982.

Mr. Johannesman predicted that the prime rate will be down to 17% by the end of the third quarter, and to 14% by year-end. Mr. Leonard added that once the prime starts down, it will continue going down. Mr. Blixen said he thought the prime would be at 11% by

Members of Mercantile economist panel fielded questions from bankers. From l.: Moderator John W. McClure, v.p. & central group head; Richard L. Johannesman, s.v.p., Mercantile Trust; Eugene A. Leonard, s.v.p., Mercantile Bancorp.; and John H. Blixen II, s.v.p., Mercantile Trust.

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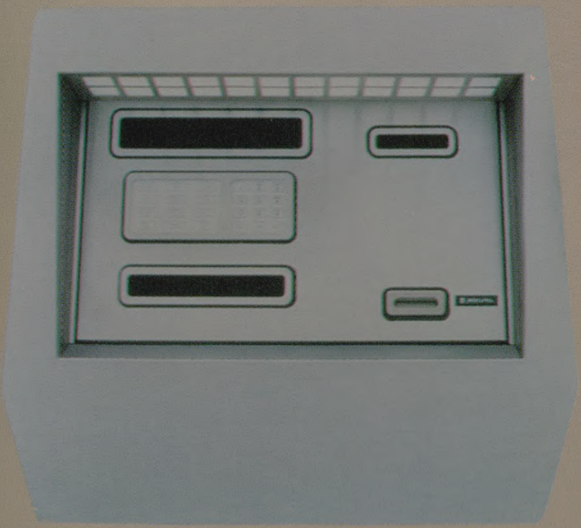

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year-end.

Panelists agreed that there is a credit crunch now, but that it's nothing like the crunch of 1973-74 because money is available. It just costs too much. There's a lot of money in Eurodollars and money-market CDs, which tends to insulate the market somewhat from a severe credit crunch.

Mr. Leonard predicted diminishing demand for credit because corporate treasurers will rethink their demands and many won't exercise their commitments from lenders. He also sees a significant disruption in the Fed funds market caused by credit tightening. That is creating a two-tier Fed funds market that has resulted in non-member Fed funds trading as "poor sisters" to member Fed funds.

Mr. Blixen said he didn't see a bouyant market for precious metals, but that such a market could develop. He said anyone buying precious metals is betting on a disaster situation. Marketable securities are better investments, especially long-term bonds, but only if held for the short term. The typical bond rate drop during a recession is 25%, he said, and he sees a strong possibility for this to happen soon.

Mr. Leonard commented on the effect of the consumer price index. It doesn't represent the economy as a whole, he said, because it's not properly weighted. An increase in the price of gasoline can distort it. Gasoline prices and mortgage rates have succeeded in distorting the index to the extent that it appears the entire economy is out of control, he said.

Mr. Blixen called for a move to debunk the certainty that inflation will be double-digit for the foreseeable future. "We have it because we expect it," he said.

Commenting on wage-price controls, Mr. Blixen said there's a 40%-50% chance they'll be imposed this year. He said controls would have a beneficial effect for President Carter if they were imposed after the political conventions. He said controls would work for from five to six months and make the economic climate look better at election time. He added that business should keep this possibility in mind.

Mr. Johannesman cited the danger of such controls. "When they go off," he said, "things could get out of hand again due to pent-up demand for housing."

Mr. Leonard said wage and price controls are popular with the public, "but they don't work."

A poll of the bankers in the audience revealed that most think controls will not be applied this year.

Members of regulator panel are flanked by Mercantile Trust Pres. Neal J. Farrel (l.) and Donald E. Lasater (r.), ch./CEO, Mercantile Bancorp. and Mercantile Trust. Panelists included (from l.) Earl L. Manning, acting commissioner of finance, Missouri; William C. Harris, commissioner of banks & trust companies, Illinois; Joseph V. Prohaska, regional FDIC dir.; and Harold E. Uthoff, s.v.p., St. Louis Fed.

On the topic of bank profits, Mr. Blixen predicted lower earnings for 1980, but a substantial recovery could occur in the long term. He cited the fact that banking is a necessary service that is desired and that customers are willing to pay for.

Mr. Leonard said challenges to banking will come from within the industry. Structure changes and HC changes will have an impact on individual banks.

Mr. Johannesman said bankers should give thought to restructuring their balance sheets. Bankers will be finding themselves with high-cost, rate-sensitive money and they must learn to cope with such situations.

During an afternoon panel featuring federal and state regulators, Harold E. Uthoff, senior vice president, St. Louis Fed, said the Fed's credit-restraint program will remain in effect for whatever period is necessary to take inflation pressure down. He said the Fed is serious about its program; that it wants to see a return to a more stable rate of growth in the loan area.

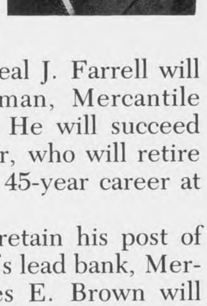
Mr. Uthoff advised bankers not to be aggressive in marketing NOW accounts. He said these accounts will increase the cost of money for banks, so they shouldn't try to be NOW-account leaders, at least not until they learn the costs involved.

Earl L. Manning, acting commissioner of finance for Missouri, cited commercial loans as the source of the largest loan losses in the state. Losses typically occur when a bank that's located in an agricultural area tries to finance a new business in a town with which bank personnel are not familiar. If bankers are't accustomed to inventory and accounts receivable loan procedures, they're not familiar with that type of collateral and the collateral usually isn't properly inspected, he said.

A buffet dinner included the recognition of Mack Aldrich, retired correspondent department head, for starting Mercantile Trust's baseball parties 25 years ago. Mr. Aldrich was persuaded to serenade the audience with

(Continued on page 63)

Farrell to Succeed Coerver In Mercantile Bancorp. Post



FARRELL

ST. LOUIS — Neal J. Farrell will become vice chairman, Mercantile Bancorp., June 30. He will succeed Harrison F. Coerver, who will retire on that date after a 45-year career at Mercantile.

Mr. Farrell will retain his post of president of the HC's lead bank, Mercantile Trust. James E. Brown will continue as HC president with his current responsibilities for the corporation's 28 other affiliate banks.

Mr. Farrell joined Mercantile Trust in December, 1978, going there from New York City's Chase Manhattan, where he had spent 22 years.

Indiana Bankers Asked to Chart Courses At Upcoming Convention in French Lick

Exotic Caribbean Motif Will Transform Hotel Into Mock Cruise Ship

"CHART Your Course!" is the theme of this year's Indiana Bankers Association convention, to be held June 10-12 at the French Lick Springs Hotel.

The theme can be interpreted in more ways than one, since it can apply to charting the course of banks with the aid of information gained from speakers at the convention's business sessions, to the ability of the many golfers tackling the hotel's courses to avoid sand traps and to finding the final convention banquet, which will be held on a mock ocean liner anchored in the hotel's dining rooms.

The convention will actually start on Monday, June 9, when the 50-Year Club will host a reception and dinner at the French Lick Springs Hotel.

Tuesday's events won't begin until afternoon, when the IBA board will meet. Registration will open at 3 p.m. and the past presidents' reception and dinner will be held that evening.

The main event will begin on Wednesday with all-day registration, a coffee for spouses, the first general business session, a women's singles tennis tournament, separate luncheons for men and women, a men's scramble golf tournament and a men's singles tennis tournament — all during the morning and noon hours! Later events will include a special interest session and the Wednesday evening banquet, featuring the assistant oil minister of Saudi Arabia as speaker.

Another full day will be on tap for Thursday, beginning with a women's golf tournament, all-day registration, a women's putt putt contest and the second general business session during the morning.

A luncheon buffet and mixed doubles — men's doubles tennis tournament will be held at noon, with a women's bingo party in the afternoon.

Evening events will begin with a land-lubbers reception, followed by a Caribbean cruise banquet and entertainment.

All events will be held at the convention hotel. • •

Convention Calendar

Monday, June 9

6:30 p.m.—50-Year Club Reception.
7:30 p.m.—50-Year Club Dinner.

Tuesday, June 10

2:30 p.m.—IBA Board of Directors Meeting.
3:00 p.m.—Registration.
6:30 p.m.—Past Presidents' Reception.
7:30 p.m.—Past Presidents' Dinner.

Wednesday, June 11

8:30 a.m.—Spouses' Coffee
9:00 a.m.—Registration.
—First General Business Session.
10:00 a.m.—Women's Singles Tennis Tournament.
Noon —Men's Luncheon.
—Women's Luncheon.
—Men's Scramble Golf Tournament.
—Men's Singles Golf Tournament.
2:00 p.m.—Special Interest Session—Marketing Presentation.
7:00 p.m.—Banquet.

Thursday, June 12

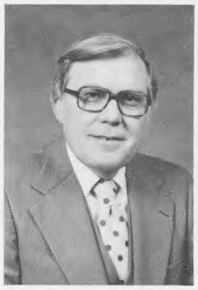
8:00 a.m.—Women's Golf Tournament.
9:00 a.m.—Registration.
9:30 a.m.—Women's Putt Putt Contest.
—Second General Business Session.
Noon —Luncheon Buffet.
—Tennis Tournament.
2:00 p.m.—Women's Bingo Party.
6:00 p.m.—Land-Lubbers Reception.
7:00 p.m.—Caribbean Cruise Banquet, Entertainment.

James P. Coleman has been named vice president, St. Joseph Bank, South Bend. Kenneth J. Sobczak was promoted to assistant vice president; Deborah M. Mann and Karen A. McGrew advanced to assistant cashiers, and David J. Butiste was named assistant cashier/installment loan officer.

Worthington to Preside At Indiana Convention

FRENCH LICK — C. Wayne Worthington, president/chairman, National City Bank, Evansville, will preside at this year's Indiana Bankers Association convention. He heads the roster of Ind. BA officers for 1979-80.

WORTHINGTON



CRAVEN

LAUE

Serving with him as top officers of IBA are Vice President Robert C. Laue, president, First Bank, Indianapolis, and Treasurer Carlos E. Craven, president, Farmers National, Shelbyville.

Mr. Worthington began his banking career at National City Bank in 1941 as a messenger. He attained officer status in 1953 and moved up through various titles until being elected chairman/CEO in 1975. He is a past president of Region Eight and is a graduate of the graduate School of Banking at the University of Wisconsin.

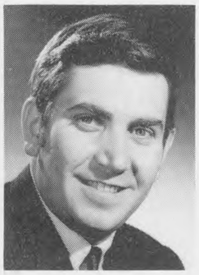
Mr. Laue entered banking in 1960 with his present bank. He was named an assistant cashier in 1962 and president in 1975.

Mr. Craven has been in banking since 1948, when he joined Farmers National, Shelbyville. He was made an assistant cashier in 1955 and president in 1976.

Hope, Mertes to Speak At Indiana Convention

FRENCH LICK — ABA President C. C. Hope Jr. and Louis Mertes, vice president, Continental Bank, Chicago, are among the speakers scheduled for the Indiana Bankers Association convention June 10-12 at the French Lick Springs Hotel.

Mr. Hope is vice chairman, First Union National, Charlotte, N. C. His topic hasn't been announced, but Mr. Mertes will speak on "Office of the Future." Both will appear at the first business session.



MERTES

HOPE

Also appearing at the first session will be Steve Falken, president, Dealing with Change, Inc., whose topic will be "And Now the 80s — Bankers in a New Era."

The second business session will be addressed by IBA President C. Wayne Worthington, chairman/president, National City Bank, Evansville; Ronald E. Useldinger, Fitness Motivation Institute of America; and Charles Haywood, University of Kentucky, Lexington. Mr. Worthington will deliver his president's address; Mr. Useldinger's topic will be "Fitness for the Busy Executive"; and Mr. Haywood will present an economic report entitled "What's Ahead for Banking."

The second business session also will feature a meeting of the Indiana members of the ABA, conducted by Mr. Worthington, who is ABA state vice president for Indiana. A member of the ABA governing council will be elected.

A special bonus afternoon session will be held on Wednesday, June 11, by the IBA marketing committee.

Loren C. Sefton, a 45-year banker, has been named chairman, Union Bank, Greensburg. Robert O. Hall, formerly executive vice president, succeeds Mr. Sefton as president. Mr. Sefton also is chairman, First Bank, Batesville. At one time, Mr. Hall headed the Indiana division, American Fletcher National, Indianapolis.

Boyd Heads Convention Program Committee

Thomas T. Boyd, chairman, LaPorte Bank, is chairman of the Ind. BA convention program committee this year. Also serving on the committee are the following bankers:

Paul G. Cooper, cashier, Otwell State; Thomas J. Finnerty, president, Terre Haute Savings; Jack L. Gaddis, executive vice president, Security Bank, Elwood; William R. Irwin, president, Farmers Bank, Frankfort; Paul Koressel, executive vice president, Citizens National, Tell City.

Others on the committee include Paul H. McGauley, president, Bargersville State; William E. McWhirter, executive vice president, Peoples Bank, Indianapolis; A. M. Price, president, First National, Rochester; and Phillip Smith, chairman/president, First National, Paoli.

Mrs. Robert (Zan) Hall, Greensburg, is chairman of the women's convention program. Serving with Mrs. Hall are Mrs. Stefan (Joan) Anderson, Muncie; Mrs. Carlos (Margaret) Craven, Shelbyville; Mrs. Kenneth (Judy) Deckard, Fowler; Mrs. Virgil (Gwen) Frederick, Brazil; Mrs. Douglas (Jacque) Grant, Elkhart; Mrs. Wendell (Nancy) Hoover, Indianapolis; Mrs. Robert (Laverne) Laue, Indianapolis; Mrs. Robert (Gerry) Nelson, Indianapolis; and Mrs. C. Wayne (Betty) Worthington, Evansville.

Oil Minister, Steel Band Featured at Banquets

FRENCH LICK — Two diverse types of entertainment are scheduled for the two banquets to be held during the Indiana Bankers Association convention.

Wednesday evening's affair will feature Sheikh Iben ben Salaam, assistant oil minister of Saudi Arabia. He is said to be an expert on the current energy crisis, international events and the Arab countries. He was educated at British and American universities.

Thursday's event will begin with a Land-Lubbers' reception held on a mock Caribbean island. Caribbean party favors will be provided for everyone and informal dress will be favored. The banquet will be held aboard the pretend S. S. IBA, anchored in the east and west dining rooms of the convention hotel.

Entertainment will be presented by the 21st Century Steel Band from Trinidad. Music will range from Handel's "Messiah" to show tunes.

Also on the nonbusiness agenda of the convention will be a men's golf tournament on Wednesday and tennis tournaments on Wednesday and Thursday.

A women's program is set for Wednesday and Thursday. The first day of activity will include a coffee on the front porch of the hotel, a women's singles tennis tournament and a luncheon featuring Dave Smith, Ball State University, who will show film clips of famous movies.

On Thursday, there will be a golf tournament and putt putt contest followed by a luncheon with the men, then a tennis tournament and a bingo party.

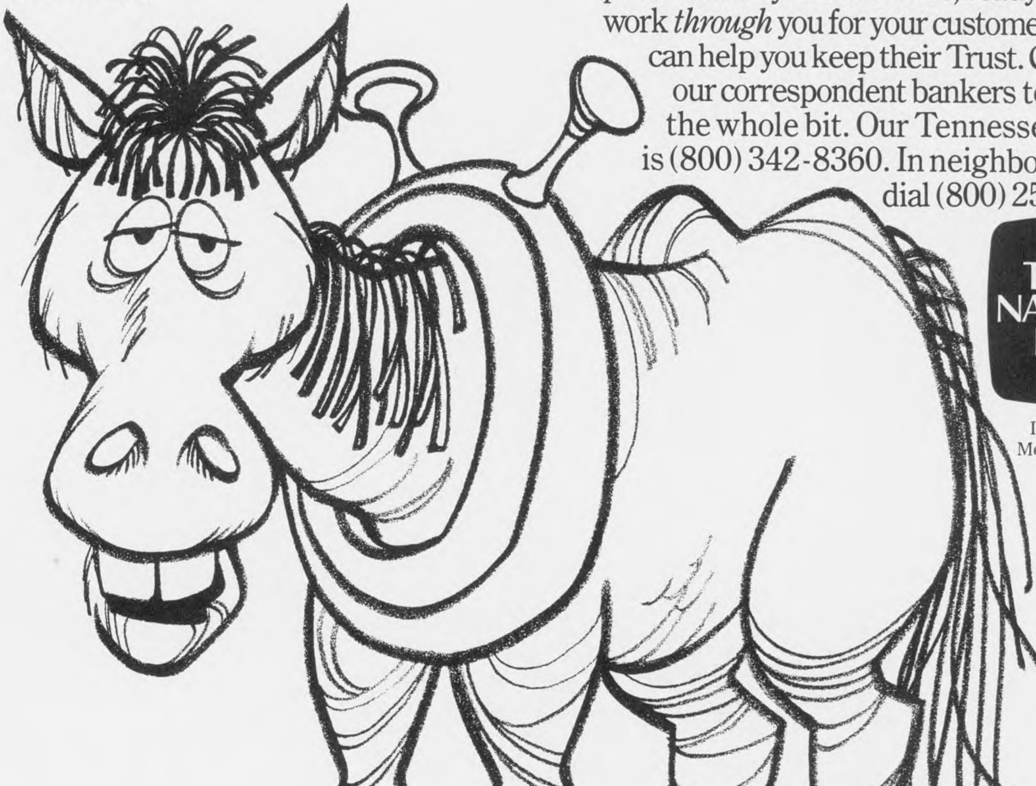
IBA Officer Candidates

In addition to Robert C. Laue, who is expected to succeed C. Wayne Worthington as IBA president at the convention, two candidates have been nominated for IBA officer status.

They are Mark H. Caress, president, First National, Crawfordsville, candidate for IBA vice president, and Neal H. Carlson, president, First National, Warsaw, candidate for IBA treasurer.

Mr. Caress has held his bank post since 1965. He was formerly an educator and school administrator, serving as superintendent of community schools in Crawfordsville prior to his appointment as president of First National. He has served IBA as chairman of the mortgage loan and EFTS committee and a member of the student loan committee.

Mr. Carlson started his banking career in 1950 as cashier of Bank of Wolcott. He joined First of Warsaw in 1955 as cashier/assistant trust officer, was elected vice president/trust officer in 1967 and president/director in 1974. He is a graduate of the Graduate School of Banking at the University of Wisconsin.


ERIC

Inflation, Banking Structure on Tap For Tennessee Bankers' Convention

Gatlinburg to Be Site of 90th Annual Meeting

INFLATION and the economy, banking structure in Tennessee and a proposed statewide TV advertising program for the banking industry will be among the topics discussed at the 90th annual convention of the Tennessee Bankers Association May 18-21 at the Sheraton Gatlinburg Hotel.

The program will include a host of speakers, a major panel discussion and a presentation by one of TBA's newest committees.

In addition, a program of educational and entertainment activities has been scheduled, including the traditional golf and tennis tournaments, a spouses' program, banquets and dancing.

The first meeting of the convention will be a joint meeting of the state and national bank divisions, set for the morning of May 19. Speakers at the session will include Tennessee Banking Commissioner Tom Mottern; Harlan Mathews, state treasurer; and Carl Nielsen, Wichita State University.

The general business session will be held on Tuesday, May 20, and will feature TBA President George R. Taylor delivering his president's address; E. Gerald Corrigan, special assistant to Fed Chairman Paul Volcker, and a presentation by the TBA statewide advertising committee on a proposed statewide TV advertising campaign for banking. Mr. Taylor is chairman/president, Merchants Bank, Cleveland.

Tuesday afternoon is the time for the independent bankers division meeting, conducted by J. D. Clinton, vice president, Brownsville Bank. The meeting will feature a discussion on banking structure in the state and a film about the 50th anniversary year of independent banking.

A bank structure panel is set for Monday afternoon, at which members of the TBA bank structure committee will discuss the structure of bank and financial institutions in Tennessee. Possible areas of compromise in expanding bank structure across the state and the issue of statewide branching are expected to be discussed.

Banquets will be held on both Monday and Tuesday evenings. The Monday event will feature entertainment by the University of Tennessee singers, followed by dance music by the "Odyssey," a Nashville band.

Tuesday's banquet will be preceded by a reception at the Gatlinburg Civic Auditorium. New officers will be installed and entertainment will include country music by Tom T. Hall.

A spouses' program is planned for Monday and Tuesday that will feature a country ham brunch and a variety of other activities, such as a crafts exhibition, an educational program on Knoxville's Energy Expo '82 and optional tours to local entertainment places.

Convention Program in Brief

Sheraton Hotel, Gatlinburg

Sunday, May 18
3:00 p.m.—Insurance Committee Meeting, LeConte C.
—Registration, Upper Lobby.

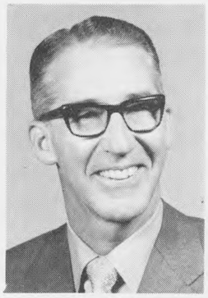
Monday, May 19
8:30 a.m.—Spouses' Hospitality Center, Lower Lobby.
—Spouses' Crafts Displays, Exhibition Hall.
9:00 a.m.—Registration, Upper Lobby.
9:30 a.m.—Joint Meeting, State and National Bank Divisions, Sheraton 3, 4.
10:00 a.m.—Golf and Tennis, Knoxville.
11:30 a.m.—Spouses' Brunch, Mountain View Hotel.
2:30 p.m.—Special Panel on Banking Structure, Sheraton 4.
6:30 p.m.—Reception, Lower Lobby.
7:30 p.m.—Banquet, Entertainment and Dance, Ballroom.

Tuesday, May 20
8:30 a.m.—Spouses' Hospitality Center, Lower Lobby.
—Spouses' Crafts Displays, Exhibition Hall.
9:00 a.m.—Registration, Upper Lobby.
9:15 a.m.—Spouses' Program and Slide Show, Sheraton 1.
9:30 a.m.—General Business Session, Sheraton 3, 4.
11:30 a.m.—Convention-wide Luncheon, Sheraton 1, 2.
Noon —Directors Meeting, Guyot A, B.
1:30 p.m.—Spouses' Bridge Play, Guyot A, B.
2:30 p.m.—Independent Bankers Division Meeting, Sheraton 4.
5:30 p.m.—Photo Session for Officers, LeConte, C, D.
6:30 p.m.—Reception, Gatlinburg Civic Auditorium.
7:30 p.m.—Banquet and Entertainment, Gatlinburg Civic Auditorium.

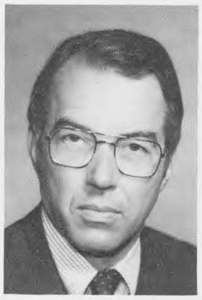
Wednesday; May 21
7:30 a.m.—Fellowship Breakfast, Sheraton 1, 2.

James H. McLain, senior vice president, Merchants Bank, Cleveland, has been elected to the board. He has been with the bank since 1972. In other action, Scott Taylor was elected a vice president and Charles Bain and Edward Lawson were elected assistant vice presidents.

Mimi Griffin has been named branch manager at the Union Avenue Branch of City National, Memphis. She joined the bank in 1974.



MILLER



TERRY

WEATHERFORD

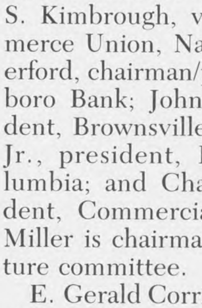
WILSON

Structure Panel, Numerous Speakers To Highlight Tennessee Convention

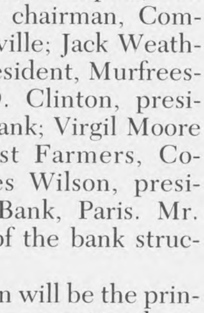
NUMEROUS speakers are scheduled to appear at the Tennessee Bankers Association convention this year, most of them from the financial industry.

Seven Tennessee bankers will take part in an update on the progress of a special "structure" study made by the TBA bank structure committee during a panel discussion set for Monday, May 19. Participants will include Charles R. Miller Jr., chairman, Citizens Bank, Cookeville; Ronald Terry, chairman, First Tennessee Bank, Memphis; Ben S. Kimbrough, vice chairman, Commerce Union, Nashville; Jack Weatherford, chairman/president, Murfreesboro Bank; John D. Clinton, president, Brownsville Bank; Virgil Moore Jr., president, First Farmers, Columbia; and Charles Wilson, president, Commercial Bank, Paris. Mr. Miller is chairman of the bank structure committee.

E. Gerald Corrigan will be the principal speaker at the convention business session on Tuesday, May 20. Mr. Corrigan is special assistant to Fed Chairman Paul Volcker and is currently on leave from the Federal Reserve Bank of New York. He is credited as being a major participant in the development of the Fed's new economic restraint programs. He first joined his bank in 1968 and was elected to officer status in 1972, when he was named senior economist and assistant secretary. From 1972 to 1977 he served in a variety of positions, including secretary, advisor and vice president of both the personnel function and the management and resources planning group. In 1979 he was assigned to open market operations and Treasury issue function and assumed responsibility for special studies related to the securities industry. He has served on technical and management assistant programs to the central banks of Iran and Venezuela.



MOTTERN



CORRIGAN

Three speakers are scheduled for the joint meeting of the state and national bank divisions on Monday morning, May 19.

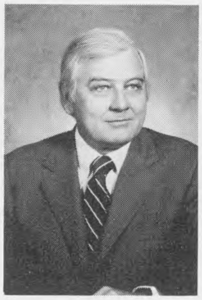
Thomas C. Mottern, commissioner of the Tennessee Department of Banking, will discuss his department and banking legislation in the 91st General Assembly; State Treasurer Harlan Mathews is expected to discuss the operations of his office and the new alternative method of securing state deposits through the pooling of risks; and Carl Nielsen, chairman, department of administration, Wichita State University, will address the topic "Strategies for NOW accounts."

Presiding at the joint meeting will be John W. Andersen, national bank division chairman, and Ed F. Bell, state bank division chairman. Mr. Andersen is president, First National of Sullivan County, Kingsport, and Mr. Bell is president, Bank of Loudon County, Lenoir City.

Mr. Mottern joined Hamilton Bank, Johnson City, in 1963 and advanced to president/director in 1969. He began his term as commissioner of banking in 1979. Mr. Mathews has been in state government since 1950 and has served as treasurer since 1974. Mr. Nielsen teaches banking, finance and investments at Wichita State. In 1977 he completed "The Bottom Line Study for Kansas Banks," a major portion of which deals with NOW accounts. ● ●

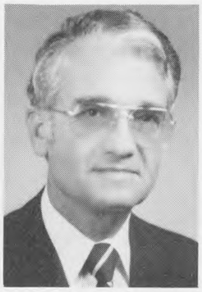
'Bobby' Taylor to Preside At This Year's Convention

Presiding over this year's convention activities will be members of the TBA executive committee for 1979-80 headed by President George R. Taylor, chairman/president, Merchants Bank, Cleveland. Assisting Mr. Taylor will be incoming TBA President James R. Fitzhugh, president, Bank of Ripley; Chairman Andrew B. Benedict, senior chairman/First American National, Nashville; First Vice President Dan B. Andrews, president, First National, Dickson; and Second Vice President W. H. Swain, chairman, First National, Oneida.



TAYLOR

FITZHUGH



ANDREWS

BENEDICT

SWAIN

GILLIAM

Mr. Taylor began his banking career in the bookkeeping department at Merchants Bank in 1945. He has worked in every department and was elected president in 1970 and chairman in 1975. He has served as a director of Third National Corp. since 1974 and is a former member of the industrial development board and a former commissioner for Cleveland.

Mr. Fitzhugh joined his bank in 1946. A former mayor of Ripley, he has served on the board of the Memphis Branch of the St. Louis Fed. He has been president of his bank since 1974.

Mr. Benedict entered banking in 1923 at the then-American National, Nashville, now First American National. He was elected an assistant cashier in 1941 and has held his present title — senior chairman of both the bank and its HC, First Amtenn Corp. — since last October.

Mr. Andrews has been in banking since 1966, when he joined his present bank as president.

Mr. Swain joined his bank as president in 1959. He has held the title of chairman since 1973.

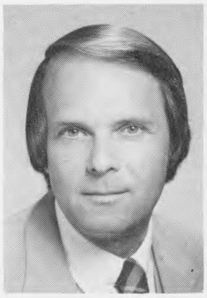
Serving the TBA for 18 years as executive vice president and treasurer is Robert M. Gilliam. He joined TBA in 1959 as secretary-treasurer. He has served two terms as president, Southern Conference of Banking Association Executives, an organization serving 15 southern states. He also has served as national chairman of the ABA's state banker association division.

World Bank Official Visits

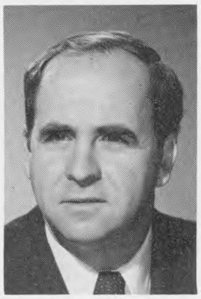
Ambassador and Mrs. Timothy Thahane (c.) from Republic of Lesotho, Africa, recently were hosted in Nashville by Third National v-ch. John E. Southwood (r.). At l. is Joe Matsu, investment promotion manager, Lesotho Nat'l Development Corp. Mr. Thahane is new secretary to World Bank, representing 18 African nations.

Ronald R. (Ronny) Hawkins, vice president, has been named head of the correspondent bank division at National Bank of Commerce, Memphis. He has been with the bank since 1974 and had been an assistant vice president in the correspondent department.

Miller F. Cheek, executive vice president, First American National, Nashville, has been named head of the correspondent bank group in addition to his former duties as head of the regional credit and administration area. The two divisions have been consolidated into a correspondent/regional group. A reorganization of the commercial division has resulted in C. Richard Bobo, executive vice president, being named chairman, asset/liability policy committee; Mack S. Linebaugh, executive vice president, being named head of the commercial banking group; and Andrew G. Higgins, senior vice president, being placed in charge of the corporate banking group. In other action, William F. Greenwood, vice chairman, announced that he is taking early retirement, with a date to be announced later. He has been with First American for 30 years.



HAWKINS



CHEEK

ONE HANCOCK PLAZA IS PRE-LEASING NOW.

The space race is on.

Introducing One Hancock Plaza, a bold new business complex in the heart of downtown Gulfport's Harbor Square. Doors open in 1980.

Office space in our tower affords commanding views of the Gulf of Mexico and her sandy coastline from high above the ground. Ground floor retail suites offer high density traffic in an enclosed setting of gardens and fountains.

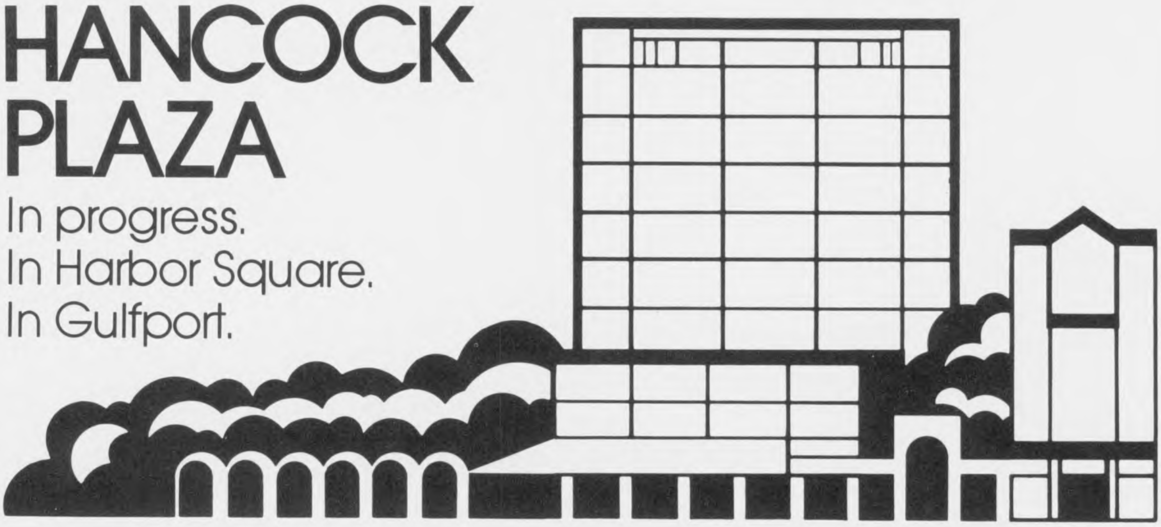
But perhaps the most remarkable thing about this dynamic new business community is that premium space is now pre-leasing at competitive prices.

You need to know about One Hancock Plaza today, while space exists. Because once the space is gone, it's gone. And then you'll always wonder why you ever settled for less.

Write for our brochure with full information.

ONE HANCOCK PLAZA

In progress.
In Harbor Square.
In Gulfport.



For complete information, call George Schloegel at 601/896-2694
or write: Hancock Bank, P. O. Box 4019, Gulfport, MS 39501

Gunderson, Janeway, Governor Winter To Speak at Mississippi Convention

Party-Laden Program Begins May 17 in Biloxi

ABA PRESIDENT-ELECT Lee E. Gunderson, economist Eliot Janeway and Mississippi Governor William F. Winter will be the principal speakers at the 92nd annual Mississippi Bankers Association convention, May 17-20, in Biloxi. Messrs. Gunderson and Janeway will appear at the convention's business session on May 19, and Governor Winter will speak at the banquet that same evening.

WINTER

JANEWAY

Convention activities will begin on Saturday, May 17, with an 8 a.m. tennis tournament on the courts of the convention's headquarters hotels, the Hilton and Broadwater Beach.

The MBA golf tournament will start at noon that same day on the Broadwater Beach Hotel's Sun Course.

Convention registration will take place in the lobby of the Hilton throughout the day.

The first bank-sponsored party will begin at noon and continue through 4 p.m. It's billed as a welcoming party and will be held in the Hilton's Boardwalk Cafe.

A Yellowbird Party will begin the evening's activities in the Hilton Grand Ballroom, beginning at 6:30 p.m. A second party will begin at 9:30 in the Hilton's Grand Casino.

Sunday's activities will begin with a milk punch party for graduates of the School of Banking of the South at 7:30 a.m. in the Broadwater Imperial Lobby. At 8 a.m., breakfast for the graduates will be held in the Broadwater Vogue Room.

The convention registration desk will open at 9 a.m. and remain open throughout the day.

A devotional service will be held from 9:30-10 a.m. in the Broadwater's Crown Room.

Tennis tournament finals are set to begin at noon on the Broadwater's courts.

A wine and cheese tasting party is set for 3-5 p.m. in the Hilton Ballroom, and an event on the Broadwater's garden lawn called a "Gulf Coast Gala" will begin at 6 p.m.

Past MBA presidents will gather in the Broadwater Vogue Room at 8 p.m. for their annual dinner with members of the MBA executive committee, and a night cap reception will be held from 10 p.m. to midnight in the Hilton Grand Ballroom.

Monday will be serious business day, at least in the morning. The general business session will be held from 8:30-11 a.m. in the Hilton's Grand Casino with MBA President Paul McMullan presiding. Mr. McMullan will lead off with his president's report, followed by a treasurer's report by Douglas A. Herring. Young Bankers Section President H. Greg Taylor, vice president, Peoples Bank, Indianola, will report on YBS activities.

Farrell F. Berryhill, chairman/president, First National, Pontotoc, will present a report on Mississippi Bank-PAC, and state and federal legislative reports will be given by Robert E. Kennington II, chairman, Grenada Bank, and J. Herman Hines, director, Deposit Guaranty National, Jackson. A report of the MBA's CEO summer seminar committee will be given by Don F. Calfee, MBA vice president.

Following presentation of certificates to new members of the 40-Year and 50-Year clubs, Mr. Gunderson will address the convention. He's president/CEO, Bank of Osceola, Wis.

Ted Borodofsky, chairman, Planters Bank, Ruleville, will preside at the meeting of Mississippi members of the ABA, at which elections will be held for members of the ABA's governing council.

A necrology report and resolutions committee report will be followed by Mr. Janeway's address. The business session will conclude with nomination and election of new officers.

Concurrent with the business session will be a women's breakfast and program in the Broadwater Crown Room. Presenting the program will be Toni Beck of the Greenhouse in Dallas, Tex.

The day's first party will begin at 11

a.m. in the Hilton Grand Ballroom. It's to be called a "Love Boat Party."

The annual oyster bar event will begin at 4 and continue until 6 in the Broadwater's Vogue Room.

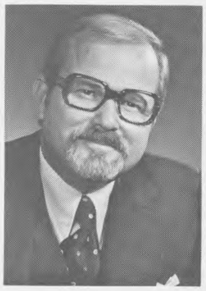
Evening activities will begin at 6:30 when the MBA social hour begins at the Mississippi Coast Convention Center. It will be followed by the annual president's banquet, called this year "Paul's Seaside Soiree." After the tables are cleared, Governor Winter will speak and winners of the golf and tennis tournaments will be announced. New officers will be introduced and installed before entertainment by a group called Transition is presented.

Tuesday's events will be brief: a country ham breakfast in the Hilton Grand Ballroom and a breakfast for executive committee members in the Broadwater Crown Room A.

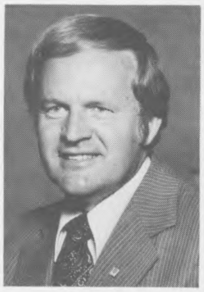
A convention is only as successful as the chairmen of the various committees. Co-chairing the tennis tournament this year will be J. W. Collins, president, Bank of Mississippi, Tupelo, and L. Y. Foote Jr., president, Hattiesburg Division, First Mississippi National. H. G. Breland, president, State Bank, Collins, will be chairman of the golf tournament. Mrs. C. W. Connell Jr. (he's chairman/president, Bank of Clarksdale) will chair the women's committee and O. B. Bowen Jr., president, Richton Bank, will chair the resolutions committee.

Members of the executive committee slated to retire this year include A. S. Ballard Jr., president, Hernando Bank; James R. Cole, president, American Bank, Vicksburg; and W. B. Tate Jr., president, Merchants & Farmers, Macon. ● ●

McMullan, Calfee, Herring Lead MBA


McMULLAN


CALFEE


HERRING

The Mississippi Bankers Association has been under the leadership of three bankers for the 1979-80 year. They are: president — Paul W. McMullan, chairman, First Mississippi National, Hattiesburg; vice president — Don F. Calfee, executive vice president, First Mississippi National, Jackson; and treasurer — Douglas A. Herring, chairman, Security State, Starkville.

Mr. McMullan was elected president, Newton County Bank, Newton, in 1958 and served in that capacity until 1965 when he joined First National, Hattiesburg, as president. In 1969, First National merged with First National, Biloxi, and the institution's new name became First Mississippi National. He was elected chairman in 1974.

Mr. Calfee entered banking in 1939 at First National, Hattiesburg. He moved to Rankin County Bank as executive vice president in 1962 and advanced to president before resigning in 1979 to assume his present position with First Mississippi National's Jackson Office.

Mr. Herring has been in banking since 1956, when he became affiliated with First National, Jackson. He joined Security State, Starkville, in 1963 as executive vice president and was named chairman/CEO in 1978.

To Go With Picnic, Open-Air Pops Concert Hosted by Miss. Bank

A free performance of the Jackson Symphony Orchestra was sponsored by the Bank of McComb, Miss., in conjunction with a fall picnic.

Concertgoers were invited to bring a picnic lunch or to buy one at the park, with proceeds going to the McComb Recreation Department. More than 1,000 persons attended.

Also, the concert — produced in conjunction with the Mississippi Arts Commission and the Pike County Arts Council — was broadcast over radio.

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(left to right) Harry Lambdin, Regional Correspondent Bank Officer; Frank Fillingim and Alan Walters, Assistant Vice Presidents, Deposit Guaranty's Investment Division.

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Grow with Us

New Mexico Bankers to Meet June 5-7

'Make Waves for the '80s' to Be Theme

"MAKE WAVES for the '80s" is the theme of the 69th annual New Mexico Bankers Association convention, set for June 5-7 at the Hilton Inn, Albuquerque.

The advance program has three events scheduled for the evening hours of June 4: pre-registration, cocktails and the past presidents' dinner, which will feature entertainment by Zan Bunch, ventriloquist.

Thursday's activities will begin with golf tournaments for men and women. The men will tee off at 8 a.m. at Four Hills Country Club while the women will begin at 8:30 a.m. at the Albuquerque Country Club.

Registration will resume at 9 a.m. and continue throughout the day. Evening activities will center around a cocktail party that will begin at 6 p.m.

A full schedule of events is set for Friday, June 6, beginning with a prayer breakfast at 7:45 a.m. featuring Congressman Harold Runnels. The first general business session will begin at 10 a.m. and will feature three speakers: Congressman Les AuCoin of Oregon, Governor Bruce King and Albuquerque Mayor David Rusk.

Two luncheons will be held at noon — the women's will feature The Company musical group and the men's president's luncheon will feature Chuck Clausen, defensive coach for the Philadelphia Eagles.

After lunch, the men will be invited to participate in a tennis tournament at the Albuquerque Tennis Complex while the women will play bridge starting at 2 p.m.

Evening activities will begin with a cocktail party from 5:30 to 7:30 p.m., followed by an international night buffet dinner with entertainment and dancing.

Saturday's events will begin with a buffet breakfast at 7:15 a.m.

The second business session will start at 9 a.m. and will feature Lee Gunderson, ABA president-elect, and president/CEO, Bank of Osceola, Wis. Luncheon will be preceded by a reception. Luncheon speaker will be Reginald Avery, president, Barclay's Bank, London.

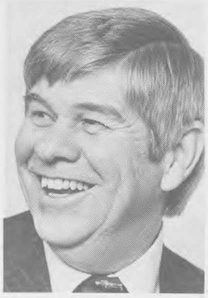
The convention will adjourn at 2 p.m. and the executive council will meet at 2:30 p.m. ● ●

Four Politicians to Speak to NMBA

Four political figures will be speaking to the New Mexico Bankers Association convention. They are Harold Runnels and Les AuCoin, both U. S. congressmen, Governor Bruce King and Albuquerque Mayor David Rusk.

Mr. Runnels is a native of Dallas and became active in New Mexico politics in 1960 when he was elected a state senator from Lea County. He served for 10 years. He was first elected to Congress from the Second District in 1970. He ran unopposed in 1978. His committee assignments include Armed Services and Interior and Insular Affairs.

AuCOIN



RUNNELS

Mr. AuCoin represents the First Congressional District in Oregon. A newspaperman, he entered politics in 1971, serving as a state representative. He was elected to Congress in 1975 and serves on the Banking, Finance and Urban Affairs and Merchant Marine and Fisheries committees.

Governor King has been in public service since 1954, when he was elected to the Santa Fe County Commission. In 1959 he was elected to the New Mexico House of Representatives, where he served five consecutive terms, three of them as speaker. He was first elected governor in 1970, serving until 1974. He was returned to the governor's office in 1978 for a second term.

Prior to being elected mayor of Albuquerque in 1977, Mr. Rusk was the state representative from District 19. He was appointed to fill a vacant seat in 1975 and was elected to a second term in 1976. He was the associate director of the Urban League in Washington, D. C., from 1963-68 and was with the Labor Department from 1968 to 1973. He is a native of California.

KING

RUSK

Convention Program

(Tentative)

Thursday, June 4.

8:00 a.m.	—Registration.
	—Men's Golf Tournament.
8:30 a.m.	—Continental Breakfast for Women's Golf Tournament.
9:00 a.m.	—Women's Golf Tournament.
Noon	—Past Presidents' Luncheon.
6:00 p.m.	—Reception.

Friday, June 5.

7:45 a.m.	—Prayer Breakfast.
8:00 a.m.	—Women's Tennis Tournament.
10:00 a.m.	—First General Session.
Noon	—Women's Luncheon.
	—President's Luncheon.
	—Men's Tennis Tournament.
2:00 p.m.	—Women's Bridge Tournament.
6:00 p.m.	—Reception.
7:00 p.m.	—Buffet Supper, Dancing, Entertainment.

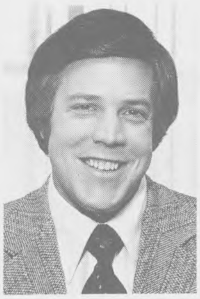
Saturday, June 7.

7:15 a.m.	—Buffet Breakfast.
9:00 a.m.	—Second General Session.
11:30 a.m.	—Reception.
12:15 p.m.	—Luncheon.
2:00 p.m.	—Adjournment.
2:30 p.m.	—Executive Council Meeting.

New Mexico BA Officers — 1979-80

WILBANKS

NUNN



ATER

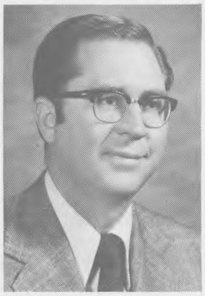
Leading the New Mexico Bankers Association as top officers for the 1979-80 term are Kenneth O. Wilbanks, pres., First Nat'l, Farmington — NMBA pres.; Jonathan R. Nunn, pres., Citizens Bank, Tucumcari — pres.-elect; and David Ater, pres., First Nat'l, Santa Fe — treas. Mr. Wilbanks entered banking in 1946 at First Nat'l, Holdenville, Okla. He joined First of Farmington as pres./CEO in 1967. Mr. Nunn joined Bank of Las Vegas in 1960 and moved to his present bank in 1964 as e.v.p. He received his present title in 1965. Mr. Ater joined First Nat'l, Santa Fe, in 1970 and was made an officer in 1971. He has been pres./CEO since 1978.

Santa Fe National has elected Frank Sandstrom and Herman N. Wisenteiner to its board. Mr. Sandstrom is a consultant and Mr. Wisenteiner is head of a petroleum marketing firm.

First City National, Carlsbad, a new bank, has received preliminary approval from the Comptroller of the Currency. The bank will operate out of temporary quarters until a permanent building is constructed. Organizers include Reed H. Chittim, Stanley E. Newman and Jim Hobbs, associated with First National of Lea County; Jack Daniels, investor; and Mike Tinley, insurance executive, all of Hobbs.

William A. Cook has been named vice president/cashier, Security National, Roswell. He formerly was the bank's auditor.

James A. Clark, a past president of the New Mexico Bankers Association, has been named president, American Bank of Commerce, Albuquerque. He joined the bank in January as chairman. He succeeds Gary McPherson, who resigned in March.



CLARK

Jo Megchelsen has been promoted to assistant trust officer at First National of Lea County, Hobbs. She joined the bank about a year ago.

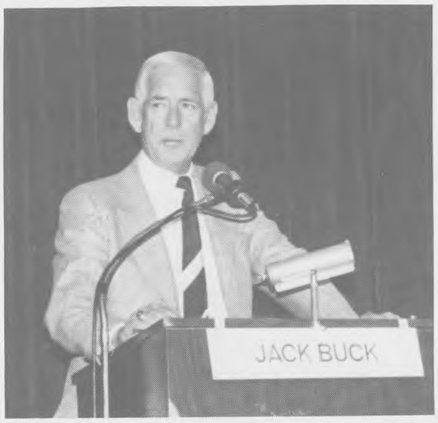
Sam T. Sugg has been elected senior vice president, First National, Roswell. He has been in banking since 1941 and is former chairman, Fidelity National, Albuquerque.

Mercantile

(Continued from page 51)

his rendition of "Take Me Out to the Ball Game."

The final event on the day-long program was the Cardinal-Philadelphia Phillies ball game at Busch Memorial Stadium. Most bankers were pleased with the score: 7-2 in favor of the Cardinals. ● ●



Baseball Party always includes rundown on current situation with St. Louis Cardinals given by Jack Buck, "voice of the Cardinals." Mr. Buck predicted that the 1980 baseball season will be canceled if players strike later this month.

Rural Bankers

(Continued from page 41)

since compliance with these regulations will not be difficult for his bank, he doesn't expect his staff to spend a lot of time checking the bank's compliance.

"We always have been a small retailer's bank," says Mr. Coleman. "Many of our clients are small retailers who need our help. We will continue to try to service them. However, there will be some situations where the need for credit is not justified, and the request will not be a bankable loan. These times will squeeze out some of the borderline operators.

"We do not intend to reclassify or place a ceiling on any of our loan extensions. We feel a majority of our loan requests come from areas specifically exempt from the guidelines. We feel further that the high interest rates will curtail our loan expansion and that we will not need to set up any special limitations."

The banker in Tennessee does not believe the Fed's program will work, but simply will create more paperwork (he expects to have to hire more employees to do it) and will place a tighter squeeze than ever on small businesses.

Because of the program, he says his bank will hold consumer credit to "0" growth.

He foresees these effects on the following segments of his community: for depositors and consumer-loan customers, it will decrease them or hold them at present levels; for businesses, it could adversely affect tourism and small-business sales; for the community itself, it could adversely affect growth, especially new housing, as an indirect result; and for his own bank, it could decrease loan demand, and expansion probably will reduce the rate of overall growth.

In the agribusiness area, the banker foresees the net result as an increase in a farmer's cost of doing business.

The banker says he will advise his retail-business customers not to overstock inventory if it is being financed through current borrowings. His bank is not reclassifying installment debt and will continue to make personal, unsecured loans — the purpose of these loans being listed as "household goods" — but only in limited amounts.

News

About Banks and Bankers

Kansas

H. E. Carlisle, senior vice president, East Side Bank, Wichita, has been given the additional post of board secretary. Newly elected directors are Jack Braly, Beech Aircraft Corp., Wichita, and David L. Murfin, drilling manager, Murfin Drilling Co.

Marion National recently combined the grand opening of its new building with celebration of its 75th anniversary.

John W. Hartmann has joined Topeka's First National as assistant vice president/trust officer. He formerly was with Metropolitan Life Insurance Co., Topeka. The bank also elected David N. Bunker trust real estate officer, Mark S. Ritter assistant trust officer and David E. Bricker assistant trust investment officer.

Highland Bancshares, Inc. Topeka, has become a bank holding company through acquisition of Highland Park Bank, Topeka.

Mississippi

Ben Foster has been named by Central Bank, Birmingham, to service the bank's correspondent accounts in Mississippi. He replaces Harold Livingston, who has moved to the bank's loan division. Mr. Foster, a native of Prentiss and graduate of the University of Mississippi/Oxford, is in his second year at Central Bank.

New Bank Commissioner Post Filled by Frank Allen

JACKSON — Frank C. Allen has been appointed commissioner of the new department of banking and consumer finance. The office was established last month by the Mississippi legislature. It replaced the former department of bank supervision.

ALLEN

Mr. Allen began his banking career at Georgetown Bank in 1931 while in high school. He joined Deposit Guaranty, Jackson, in 1934, but returned to Georgetown Bank in 1937 as cashier/director. He served as a state bank examiner in 1942 and also in 1946, following military service.

In 1947 he joined Brookhaven Bank as cashier/director and in 1949 he joined Lawrence County Bank as president/director. That bank merged with Deposit Guaranty National in 1966 and Mr. Allen then was named president, Monticello Branch, chairman, Monticello/Newhebron advisory board and advisory board member for both Deposit Guaranty National and Deposit Guaranty Corp.

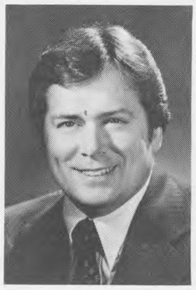
He gave up active management of the Monticello Branch in 1973, but continued as president until he resigned in 1978. He continued his board work until he resigned to accept the commissioner's position.

Missouri

Bennett B. Quillen has been elected vice president in charge of data processing, Boatmen's National, St. Louis. He has a background in banking, consulting and systems design. In other action, the bank elected John W. Boyle to its board. He recently was named chairman, May Department Stores Co., St. Louis. Boatmen's also has received approval of its application to open an office in the historic Laclede's Landing area on the St. Louis river front. It will be located in a building listed on the National Register of Historic places.

Larry Bayliss, vice president, Boatmen's National, St. Louis, has been appointed to the Bank Marketing Association's national chapter council, representing the Midwest region.

QUILLEN



BAYLISS

Sally A. Nolan has been named banking officer, Mercantile Trust, St. Louis. She recently joined the central group, where she is responsible for correspondent bank operations. She formerly was a branch manager at a major New York City bank. Also at Mercantile, the following assistant vice presidents were named: George D.

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Especially designed for machine filling . . . a real time-saver. Packed flat. Instant patented "Pop Open" action with finger tip pressure. Denominations identified by color coding . . . 6 different standard colors.

3 RAINBOW COIN WRAPPER
Color coded for quick, easy identification. Red for pennies . . . blue for nickels . . . green for dimes . . . to indicate quantity and denominations . . . eliminates mistakes. Tapered edges.

4 DUZITALL COIN WRAPPER
Extra wide . . . extra strong. Designed for areas where halves are wrapped in $20.00 packs . . . "red bordered window" for ease of identification. Accommodates $20.00 in dollars, $20.00 in halves. Tapered edges.

5 OLD STYLE COIN WRAPPER
Basic coin wrapper in extra strong kraft stock. Printed in 6 different standard colors to differentiate denominations. Triple designation through colors, printing and letters. Tapered edges.

6 KWARTET COIN WRAPPER
Wraps 4 denominations in half size packages. A miniature of the popular "Automatic Wrapper" . . . 25c in pennies, $1.00 in nickels, $2.50 in dimes, $5.00 in quarters.

7 FEDERAL BILL STRAP
Package contents clearly identified on faces and edges by color coded panels with inverted and reverse figures. Made of extra strong stock to assure unbroken deliveries. Only pure dextrine gumming used.

8 COLORED BILL STRAP
Entire strap is color coded to identify denomination. Printed amount appears on top and bottom of package. Extra wide for marking and stamping. Extra strong stock for safe delivery and storage. Pure dextrine gumming.

9 BANDING STRAPS
Ideal for packing currency, deposit tickets, checks, etc. . . . do not break or deteriorate with age. Size 10 x ⅞ inches and made of strong brown Kraft stock with gummed end for ease of sealing. Packed 1000 to a carton.

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HOWARD

NOLAN

CARSON

FLIER

Horn, Robert J. Kiehm, James M. Allison Jr., Gerald J. Lammers, Roy T. Blair, Lawrence V. Ritter and William L. Coleman. Claudia Betzler was appointed an assistant trust officer.

L. Dean Howard, who is in First National of Kansas City's correspondent division and calls on Missouri banks, has been promoted from assistant vice president to vice president. Larry D. Thompson advanced from assistant cashier to assistant vice president. Glenn R. Hamilton was made assistant trust officer. In other action, the bank elected Michael G. Fitt to its board. He is president, ERC Corp.

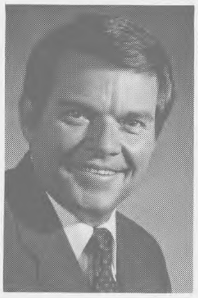
William K. Carson and Michael D. Flier have been promoted to vice presidents in First National in St. Louis' correspondent banking department. Timothy P. Markel was advanced to assistant vice president, First Financial Computing, and Len E. Meyer to assistant vice president/national accounts. Mr. Carson, with the bank since 1975, formerly was assistant vice president. Mr. Flier went to First National in 1957 and also had been assistant vice president.

David H. Morey Dies

David H. Morey, 72, retired officer of Boatmen's Nat'l, St. Louis, died of a heart attack March 30. He joined Boatmen's in 1931 and held a variety of positions before becoming pres./CEO in 1964, then ch. in 1971. When he retired in 1973, he also was ch./CEO, Boatmen's Bancshares, Inc., St. Louis-based multi-bank HC.

Oklahoma

Joe T. Gilliland, executive vice president, Oklahoma Bankers Association, has been appointed adjunct professor for finance for banking in the College of Business Administration, University of Oklahoma, beginning July 1. He will begin teaching his first course in trust banking in the fall. His involvement is the first of several steps in establishing a banking curriculum at the university.



GILLILAND

Texas

Fred L. Bollerer has been elected senior vice president and manager, long-range planning, First City Bancorp., Houston. He was previously with First City National, Houston. The HC has elected five new directors, including Richard G. Merrill, Robert Cizik, Thomas J. Feehan, George F. Kirby and Richard L. O'Shields. All the new directors except Mr. Merrill are former directors of First City National. The bank has elected Nathan M. Avery and John P. Diesel to its board and O. Pendleton Thomas an advisory director.

Mercantile National, Dallas, has elected Ralph M. Schafer a senior vice president, Paul Aguilar and Rosalind A. Smith vice presidents and Jerry D. Fain , John T. Lott, James L. Shield and Sten A. Williams assistant vice presidents.

Thomas E. Stewart has been elected senior vice president in the retail lending division at First City National, El Paso. Luis Flores Jr. and Steve Helbing have been elected vice president and assistant vice president, respectively.

Ben E. Black has been elected president, Citizens National, Greenville. He was formerly president, Red River National, Clarksville.

Index to Advertisers