MID-CONTINENT BANKER

(ISSN 0026-296X) The Financial Magazine of the Mississippi Valley & Southwest MARCH, 1981

Teller Productivity Measured

CHICAGO — A teller productivity measuring device enables National Boulevard Bank to maintain a continuous flow of customer traffic and to monitor and supervise teller activity.

The system includes a printer (see photo) that produces information that tells the bank how busy its tellers are and what periods of the day are highest and lowest in terms of volume. The information enables the bank to arrange its teller staffing to meet customer-traffic patterns, evaluate individual teller efficiency and increase teller-line productivity. (See page 30.)

Hardware-Software Package 'Right Fit' for Rural Bank

AUGUSTA, ARK. — A hardware-software package that permits rural and other small banks to "control their own destiny" in EDP operations has proved to be a "right fit" for Bank of Augusta.

The system includes two printers, a keyboard and video screen and a processor with three disc drives that operate off the bank's proof machine that has cassette capture capability. The system can be operated by anyone at the bank as no special training is required — the unit tells the operator what to do in plain English via its video screen.

Productivity-wise, the system enables the bank to provide instant printouts of account information, enables tellers to be kept up-to-date on account balances and gives the bank the total picture of any account holder's status. Considerable time is saved by having this capability on-premise. (See page 34.)

Staff Reduced, Assets Doubled After Productivity Study

KANSAS CITY — A productivity study that encouraged employees to work smarter rather than harder has enabled Red Bridge Mercantile Bank to reduce its staff by 25% at the same time it was doubling its assets. (See page 42.)

Improving Bank Productivity

And one reason not to.

The affiliation of ChecOKard, Transfund and Exchequer systems provides Oklahoma's largest shared network of automatic teller services for bank customers. Here are four good reasons why you should join now!

- More than 120 facilities statewide will serve your customers.
- Customers will have 24-hour service to deposit and withdraw from checking and savings accounts, transfer between them or inquire about balances.
- Use of the system is easy, simple — and causes your customers less trouble than writing a check.
- Even the smallest financial institution can join and get the benefits of the system for its customers.

Here is one reason why you might not want to join now:

- If you want to wait till electronic banking has complete customer acceptance, you may not want to join now. Of course, when that does happen, it might be too late for your bank to enter the market.

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MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

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FEATURES

DEPARTMENTS

STATE NEWS

EDITORS

Ralph B. Cox
Publisher

Lawrence W. Colbert
Assistant to the Publisher

Rosemary McKelvey
Editor

Jim Fabian
Associate Editor

Advertising Offices

St. Louis, Mo., 408 Olive, 63102, Tel. 314/421-5445; Ralph B. Cox, Publisher; Marge Bottiaux, Advertising Production Mgr.

Milwaukee, Wis., 161 W. Wisconsin Ave., 53203, Tel. 414/276-3432.

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Convention Calendar

March 19-20: Consumer Bankers Association Leasing Conference, Anaheim, Calif., Disneyland Hotel.
March 22-24: ABA National Credit Conference, Chicago, Chicago Marriott.
March 22-25: ABA National Installment Credit Conference, Los Angeles, LA Bonaventure.
March 22-26: Independent Bankers Association of America Annual Convention, Las Vegas, Las Vegas Hilton.
March 22-28: ABA National Compliance School, Norman, Okla., University of Oklahoma.
March 25-27: ABA Basic Secondary/Mortgage Market Workshop, Atlanta, Omni International Hotel.
March 26-30: Louisiana Bankers Association Annual Convention, New Orleans, New Orleans Hilton.
March 29-31: ABA International Systems Symposium, Washington, D. C., Capital Hilton.
March 29-April 1: ABA Southern Regional Bank Card Conference, Miami, Omni International Hotel.
March 29-April 2: Bank Administration Institute Bank Auditors Conference, Dallas, Loew's Anatole.
March 29-April 3: Bank Marketing Association Management School of Bank Marketing, Athens, Ga., University of Georgia.
March 29-April 4: ABA Business of Banking School, Notre Dame, Ind., Notre Dame University.
March 29-April 9: ABA National Commercial Lending School, Norman, Okla., University of Oklahoma.
April 1-3: ABA Bank Security Seminar, Washington, D. C., Key Bridge Marriott.
April 4-7: Association of Reserve City Bankers Annual Meeting, Palm Beach, Fla., The Breakers.
April 5-8: Bank Administration Institute Conference on Banking Issues, Denver, Fairmont Hotel.
April 8-10: Bank Administration Institute Check Processing Conference, Atlanta, Atlanta Hilton.
April 12-15: National Automated Clearinghouse Association 1981 SurePay Conference, New York City, Grand Hyatt.
April 22-24: Bank Administration Institute Annual Accounting/Finance Conference, Chicago, Chicago Marriott.
April 23: Bank Marketing Association Community Bankers Product Knowledge/Cross-Sales Training Workshop, Chicago, O'Hare Hilton Hotel.
April 26-29: Bank Marketing Association Advertising Conference, New Orleans, New Orleans Marriott.
April 26-29: Conference of State Bank Supervisors Annual Convention, Houston, Houston Oaks.
April 30-May 2: Texas Bankers Association Annual Convention, El Paso, El Paso Convention Center.
May 3-5: Oklahoma Bankers Association Annual Convention, Tulsa, Williams Plaza Hotel.
May 6-8: Alabama Bankers Association Annual Convention, Birmingham, Hyatt House.
May 10-12: ABA Bank Planning Workshop, Chicago, Hyatt Regency Chicago.
May 10-13: Bank Marketing Association Public Relations Conference, Orlando, Fla., Marriott Hotel.
May 10-13: Independent Bankers Association of America Seminar/Workshop on One-Bank Holding Companies, Nashville, Opryland Hotel.
May 10-15: ABA National Commercial Lending Graduate School, Norman, Okla., University of Oklahoma.
May 13-15: Association for Modern Banking in Illinois Annual Convention, Lincolnshire, Marriott's Lincolnshire Resort.
May 13-15: Kansas Bankers Association Annual Convention, Salina, Hilton Inn.
May 13-16: American Safe Deposit Association Annual Convention, Lake Buena Vista, Fla., Royal Plaza.
May 16-19: Mississippi Bankers Association Annual Convention, Biloxi, Broadwater Beach/Biloxi Hilton.
May 17-20: Tennessee Bankers Association Annual Convention, Memphis, Holiday Inn Rivermont.
May 17-20: ABA National Conference on Real Estate Finance, Denver, Fairmont Hotel.
May 17-22: Louisiana Banking School for Supervisory Training, Lafayette, La., University of Southwest Louisiana.
May 17-23: ABA Essentials of Banking School, Norman, Okla., University of Oklahoma.
May 18-20: Bank Administration Institute Annual Bank Tax Conference, Kansas City, Hyatt Regency/Crown Center.
May 20-22: Association of Bank Holding Companies Annual Meeting, New York City, Waldorf Astoria.

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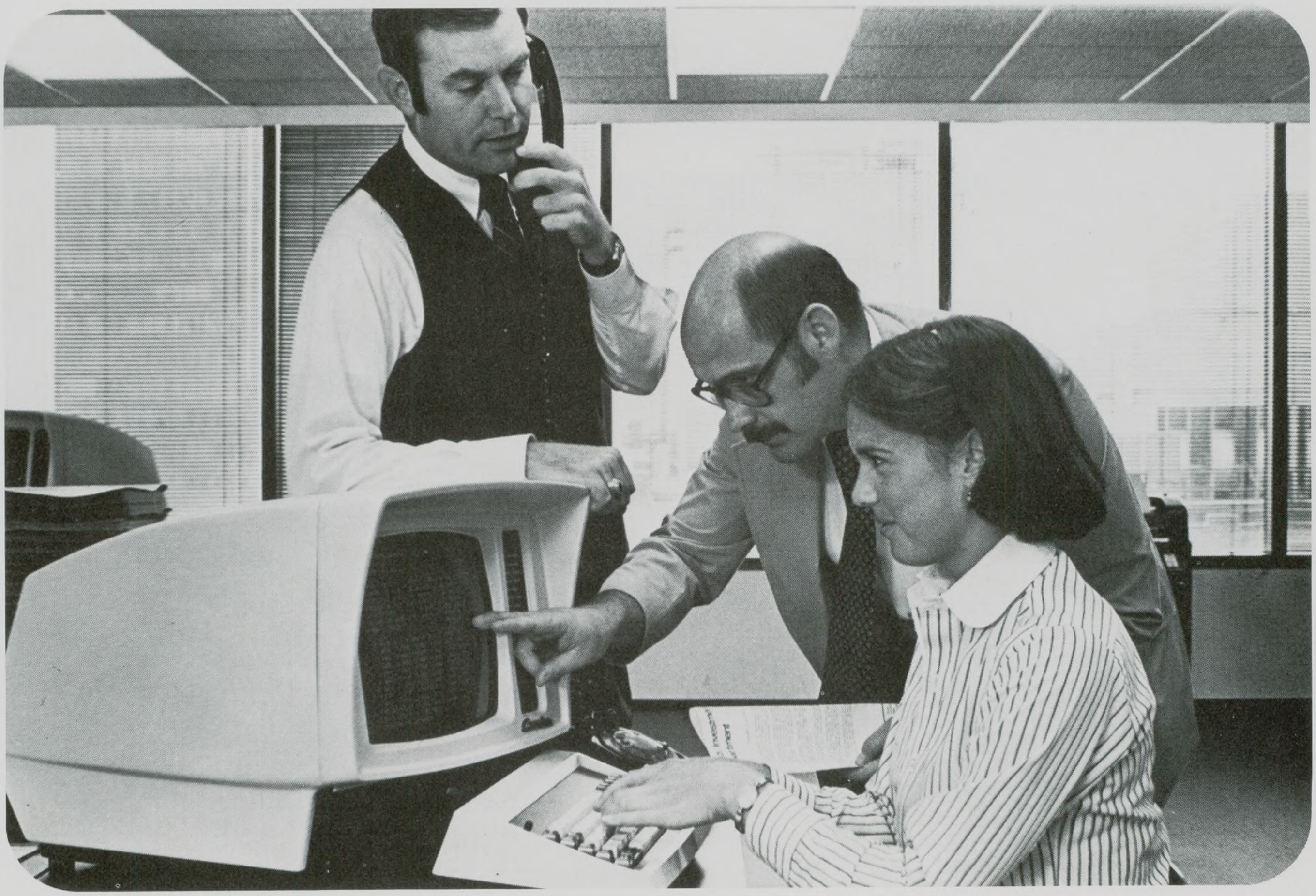

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By Dr. LEWIS E. DAVIDS
Illinois Bankers Professor of Bank Management
Southern Illinois University, Carbondale

Are Innovative Mortgage Instruments Self-Defeating?

RECENT record interest rates are indications that the U. S. economy is experiencing a negatively sloping yield curve. That is, the cost of short-term money is substantially higher than the cost of long-term money. Historically, we have had positive sloping yield curves; that is, short-term money has been cheaper than long-term money of equivalent quality.

Financial institutions usually have borrowed short and lent long. When yield curves are positive, they profit from the spread. However, when a negatively sloping or a flat yield curve exists, the picture is reversed and financial institutions are confronted with the prospect of unprofitability. While many commercial bankers are hard pressed by this type of situation, the S&L and mutual savings industries are confronted with dire situations.

A leading bank analyst recently commented that the 10 largest mutuals in the nation have negative net worth when their assets — that is, their loans and portfolios — are marked down to current market prices from the higher prices at which they are carried on the books. Their earnings also are negative or neutral. Similar comments could be made about S&Ls. This has forced many of these sources of mortgage funds to consider systems or techniques that are alternatives to the conventional mortgage instruments used in the past.

Bankers, while not as tied to mortgage lending as thrifts, nonetheless still are important lenders on real estate. Banks have moved away from mortgage lending because the increase in rates has adversely affected the real value of their mortgage portfolios. The Federal Home Loan Bank Board has been considering regulations that will permit some alternative mortgage instruments to become options for mortgage lenders. It's appropriate for bankers to have some appreciation of the new types of alternative mortgage instruments being considered.

A popular method to obtain funds is issuance of mortgage revenue bonds (MRBs). Billions worth of these issues have been floated during the last several years by well-intentioned, but inequitable, political subdivisions. The subdivisions take the proceeds from the tax-exempt bond issues and make grants in the form of low-market interest-rate mortgages to individuals who have been arbitrarily selected to be eligible for them. Normally, the poor and disadvantaged are benefited; however, a review of the price at which MRB-financed properties have been selling raises questions as to whether this is really not a case of the general public subsidizing some arbitrarily selected group. MRBs finance not only housing, but fast-food installations and shopping centers that wouldn't think of competing without such a tax subsidy.

Lenders contemplating these innovations will recognize that one of their constant features is their poor cash flow when compared with that of conventional mortgages.

Another type of plan is the graduated-payment mortgage (GPM). Initial payments begin at a level somewhat lower than those for conventional fixed-payment mortgages. Payments for GPMs rise by specific amounts over a period of time. In some instances, the lender's amortization schedule is negative because loan payments aren't high enough to compensate for the normal interest rate. The lender is anticipating that the borrower's monthly income — as well as the value of the real estate — will increase. Proponents of GPMs hold that these instruments help qualify low- and moderate-income households for home ownership.

Another innovation is the shared-appreciation mortgage (SAM). The borrower agrees to share with the lender some portion of the appreciation of the property on which the mortgage is extended. For this consideration, the lender accepts a lower interest rate than is charged for conventional mortgages. The borrower and lender believe the property will appreciate and preserve the borrower's real assets.

Development of the SAM is so new that many features and options haven't been fully tested. Typically, the SAM's payment schedule is based on a long period of amortization — 25 or 30 years. This period is necessary because the SAM user probably doesn't have the current income to qualify under a standard mortgage. However, the SAM becomes due and payable in a shorter period than a conventional mortgage — say 10 years. At either the sale or transfer of the real estate or act of refinancing at the end of the 10-year period, the borrower must pay the lender a portion of the selling price or appraised appreciation of the property's value.

Since the lender of the guaranteed-payment mortgage takes all the risks, a modification of the GPM has been developed called the graduated-payment adjustable mortgage (GPAM). As the title implies, it has an adjustable-rate feature whereby both the borrower and the lender share in the interest-rate risk. Like the preceding mortgage innovations, the GPAM has a payment schedule lower than that of a conventional mortgage. The GPAM has a known schedule of payment changes due to its graduation feature. But added to that would be a limited-payment change because of the changes in prevailing interest rates.

Lenders contemplating these innovations will recognize that one of their constant features is their poor

(Continued on page 78)


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More Banker Involvement In Urban Planning Seen During Decade of '80s

Bankers will become increasingly involved in urban planning and economic development of cities during the next decade, said John A. McHugh, vice chairman, Northwestern National, Minneapolis, recently at a conference sponsored by the Comptroller of the Currency's office.

Mr. McHugh asked the bankers attending the conference to be aware of their roles and cited the following developments likely to take place in the field of urban planning in the 1980s:

- More cooperative efforts among banks, governments and community organizations.
- A change in the federal role and an increase in local efforts and private initiative.
- A marshaling of resources to create "worthwhile energy-conservation programs," with cooperation among neighborhood activists, utility companies, banks and local and federal governments.
- More involvement in local planning processes by the entire private sector and banks in particular.
- Incorporation of social, economic and political "variables" into banks' long-range, internal plans.
- Development of "a more sophisticated understanding" of local economies and their relationship to lending and investment resources.
- Increased debate on tax policies that are "supportive of and encouraging to the most promising sectors of our economy."
- A "brokering" or "peacemaker" role for banks to promote cooperation among municipalities within one geographic area.
- Greater cooperation between banks and nonprofit organizations.
- An increased focus on small businesses and the possible development of community corporations to support these businesses in the urban setting.

Mr. McHugh said these aspects of bank involvement in urban economic development in the '80s "must be tested against two facts of economic life: an impending labor shortage and the necessity to conserve our resources — natural, human and man-made.

"The combination will be difficult to master," he said, "but I believe the challenge is too exciting for us not to exert our best efforts."

The changing nature of core cities and their surrounding suburbs requires innovative methods of urban development, he said.

Children Break Ground At Bank's Treasure Hunt

A group of eager and excited children unearthed coins and currency amounting to $57 for their day-care school at a recent ground breaking ceremony sponsored by Northbrook (Ill.) Trust.

The children were given pint-sized shovels and were invited to get the groundbreaking off to a furious start by digging for the buried treasure on the bank's construction site. The bank added to the largess for the day-care center by contributing an additional $50. All of the money was used to purchase equipment for the not-for-profit center.

Once the children had completed the "heavy" work, bankers and local dignitaries took over, turning shovelsful of earth with specially engraved shovels.

The bank's new building will consist of a four-story structure with a connected one-story wing. The 85,000-square-foot building will be adjacent to the bank's present structure and is expected to be completed in a year's time.

Eight-year-old proudly displays coins and currency she unearthed from construction site of Northbrook (Ill.) Trust during groundbreaking ceremonies featuring children enrolled at Horizon Children's Center. Funds were used by school to purchase equipment.

Cassette Banking Service Offered to Blind Customers

Cassette banking for the blind is a new service that was first introduced in the New England area by Bass River Savings Bank, Cape Cod, Mass.

Bass River Savings, Cape Cod, Mass., used this ad to introduce cassette banking service for blind customers.

The service provides blind customers with recordings of their bank statements each month. Prior to the service, blind people had to rely on others to read their bank statements, a practice that has been termed an invasion of privacy.

The cassette service is said to be more practical for blind people than a Braille service would be, since most blind people are unable to read Braille.

The service was relatively simple to initiate in Massachusetts, as the state furnishes all legally blind persons with cassette recorders. The bank statement service was the idea of an information referral specialist for the Massachusetts Commission for the Blind.

The service has been received with enthusiasm by blind people, a bank spokesman reports, and other banks in the area are offering the service. While few people utilize the service at Bass River Savings, the public relations rub-off has been tremendous, as employee pride in the bank has improved and public awareness of the bank has increased.

Centennial Celebration Includes Full Dinners For All Bank Visitors

An unusually worded invitation, plus the promise of full dinners of turkey, fried chicken and "the works," brought a crowd of well-wishers to State Bank of Delphos, Kan., for its 100th-anniversary celebration.

The invitation read, "Every 100 years we have an open house. So, if you missed the one in 1880, please come to this one, 4-8 p.m., Thursday, September 4, 1980. There will be a friendly mix of food, fun and history."

According to Roger B. Billings, president, Delphos streets were packed for blocks. One woman with tongue in cheek remarked, "I was at your party in 1880, but this one is better."

The bank also distributed an eight-page booklet containing its history, vignettes of early-day Kansas, including the terrible grasshopper plague of 1874, and many old and up-to-date photos, along with pictures of the current officers and directors.

Included in the booklet was an item about the wife of the bank's founder, George N. Billings. As 11-year-old Grace Bedell of Westfield, N.Y., she wrote Abraham Lincoln in 1860 urging him to grow a beard. He wrote back to her promising to do so. The Civil War President met the young girl four months later when his inaugural train stopped in Westfield. A monument honoring Grace Bedell Billings as Lincoln's "little correspondent" stands in Delphos' park. Roger Billings, the bank's president, is Mrs. Billings' youngest grandson.

During the bank's centennial party, reports Mr. Billings, two customers handed him checks totaling $40,000 drawn on a neighboring bank and S&L. Also, two new accounts were switched to his bank from other banks.

Folded Currency Exhibit Sponsored by Ky. Bank

The first International Money-Folding Exhibition was held at Central Bank, Lexington, Ky., to showcase the art of folding paper currency into unusual shapes.

The exhibition included more than 100 pieces of currency from various nations, folded into such shapes as peacocks, llamas, an otter, a bull, gondola, bat and biblical characters.

Among folded currency entrants in exhibit sponsored by Central Bank, Lexington, Ky., was this Nativity scene. This entry was from Peru and featured Peruvian currency.

The art form of folding paper money is called "origami," a Japanese word meaning "paper folding." All pieces in the show were folded without the use of paste or scissors. More than 25 folders from 13 countries took part in the show.

The exhibit was displayed at seven of the bank's locations throughout the Lexington area.

Home-Budget Consultations Featured at Open House Held by Kansas Bank

Savings and home-budget consultations were offered to visitors to an open house held by Planters Bank, Salina, Kan., to celebrate the opening of its Southgate Bank facility.

With the help of a "Smart Money" computer, anyone interested could get a free, confidential printout showing a personalized budget and exact answers to questions about savings and interest growth. Parents were able to find out exactly how much they will need to save each month to meet the future cost of their children's college educations — with interest figured in. Visitors also could ask the "Smart Money" computer about the exact dollar return on their savings accounts, how the new 1981 NOW accounts work or what an individual retirement account will have grown to when they are ready to make withdrawals.

Dean Tinkler, the bank's president, points out that the "Smart Money" computer is part of Planters Bank's ongoing effort to help people get the facts they need to make wise financial decisions.

The grand-opening celebration, which lasted two weeks, had the theme, "Growin' South" and give-aways emphasized "growing" savings in a fun way. First prize was a $500 savings account, and other winners received a $100 account and four $50 accounts. In addition, there was a contest to determine the friendliest Planters Bank employee. Customers and visitors were asked to point out a bank employee who showed the most personal concern. The winning employee received a $100 cash award. Officers were not eligible.

Children were not forgotten. They received free penny candy and balloons, and each balloon contained a hidden coin — from a nickel up to $1.

Four Animated TV Spots Aired by Kansas Banks

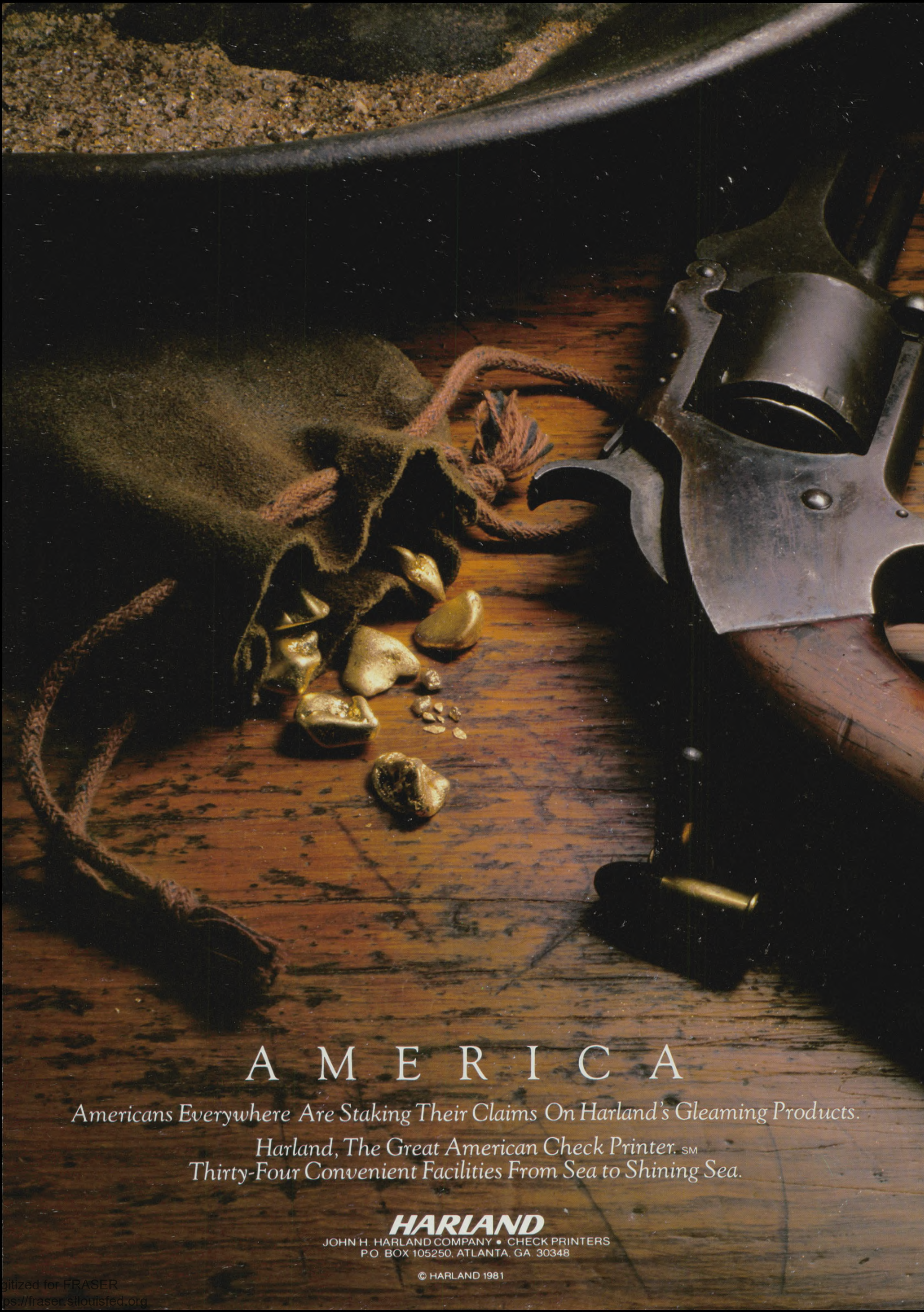
Two animated characters are carrying the message of Kansas banks into homes throughout the state via the Kansas Bankers Association's 1981 statewide advertising program. The promotion is using four 30-second TV spots to stress the reliability of a bank connection.

Using a slogan that positions banks as "the real thing," the ads are running on 13 stations and will appear during nine of the 12 months in 1981.

The principal character of the spots is Walker, a down-to-earth person who assumes the role of spokesman for Kansas banks. His friend, Joe, is a person who is slightly confused about the role of banks. In each spot, Walker enlightens Joe on the reliability, expertise and experience of banks over competing financial institutions.

Almost 80% of the ad budget of $125,000 is being spent in the Kansas City, Topeka, Wichita and northeast Kansas areas. Tie-in material consisting of counter cards and decals is available to banks.

The program was produced by the KBA's advertising-marketing commission, chaired by Lanny Kimbrough, president, Highland Park Bank, Topeka.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Economic Reform to Dominate Congress

ONE ISSUE — economic reform — will dominate Congress and the nation's capital for many months to come. This issue has become as urgent and critical to the political futures of members of Congress and the new Administration as it clearly is to voters' pocketbooks.

President Ronald Reagan's early February speech to the nation, followed by a specific message to Congress, set the outlines for the national debate on the three elements that comprise economic reform: tax reductions, federal spending cuts and broad regulatory reform (though in the early stages only in areas where such reforms can demonstrably reduce the economic strangulation of the business system).

To understand the forces that will be at work in Washington in the coming months, it's helpful to think through the congressional budget process from its end-point, because by then the die will have been cast. By September 15, both houses of Congress must agree on a "final and binding" concurrent budget resolution for the budget year which begins in October. Within seven days after Labor Day, Congress must take final action on all appropriations bills. Even before that, by May 15, Congress must approve its first budget resolution and all spending authorization bills must have been approved by the relevant committees.

Through a variety of devices, Congress can ignore this timetable (as happened last fall). However, political pressures make those deadlines more significant today than they may have been in previous years.

Those deadlines are made even more urgent by economic lagtime. The economy doesn't respond quickly to even the strongest and boldest legislative and administrative initiatives. Members of Congress who hope to be able to show their constituents progress in economic reform when they face the primaries and general elections of 1982 are acutely aware that they will have to make their tax, fiscal and regulatory decisions early this year.

Realistically speaking, March is the earliest that Washington observers would expect a new Congress to begin to show its mettle in dealing with these thorny economic issues. In spite of early efforts to crank up the machinery of government, the process of filling key congressional staff positions and of organizing staff and committee plans continued through February.

For many, both inside and outside government, the litmus test is whether the federal budget will be balanced.

The same has been true of the Reagan Administration as it moved to fill the several thousand second- and third-tier staff positions within the executive branch. Thus, while major outlines of national policy may have appeared clear for some time, negotiations on how to implement policy, how to satisfy the voters' clearly expressed desire for a restoration of national economic health, are beginning only now.

It's clear that tinkering and fine-tuning will not be sufficient. Major surgery in the areas of federal tax and spending policy are being demanded, and recent polls have more than reinforced conclusions politicians drew from last November's elections. The question that remains is how Congress will tackle the task.

For many, both inside and outside government, the litmus test is whether the federal budget will be balanced. At this juncture, almost irresistible political pressure has built up in favor of a balanced budget. One recent poll found that by a large majority the public favors balancing the budget even more strongly than it wants tax cuts. The polls also show that a majority of the people believe that it cannot or will not be done. Reversing inflationary expectations is essential if the task is to be accomplished.

In fact, more than 30 state legislatures have passed resolutions calling for a convention to amend the Constitution to require a balanced federal budget except in emergency circumstances. Predictions are that before 1981 is over a sufficient number of additional state legislatures could pass such resolutions that a constitutional convention would be mandated; it's believed, however, that before that happened, Congress itself would approve legislation requiring a balanced budget at some future date.

Through its task force on inflation, the American Bankers Association (ABA) has gone on record forcefully as supporting major federal spending reductions moving clearly in the direction of a balanced budget, restrained monetary policy to dampen inflation and comprehensive tax reform designed to reduce consumption and encourage capital formation.

Bankers and the ABA will have a major opportunity during the next several months to help build the type of political base and widespread public commitment that will have to exist for members of Congress to make the extremely difficult decisions that face them. For while the public clearly is demanding federal spending cuts and a balanced budget, it will be up to the politicians to determine as best they can where those cuts should be made. Strong political support for members of Congress who take the lead in this process will be a critical factor.

While it is acknowledged that Congress is unlikely to move beyond the first, most tentative steps on non-economic issues until it has decided what route to take toward economic reform, it's possible that in certain areas bankers' priorities could be tied to the overall effort to deal with the economy.

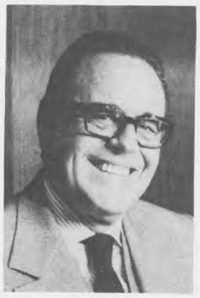
For example, the ABA will be arguing strongly that complete and permanent reform of usury statutes (probably through a general federal override of those laws) should be a part of the economic reform plan.

Also, reducing the burden of federal regulations on the business community is clearly a major part of the President's economic reform plan. In this

(Continued on page 79)

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

NEWS OF THE BANKING WORLD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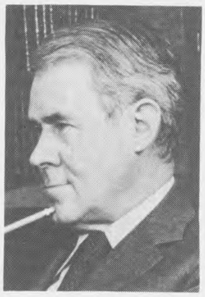
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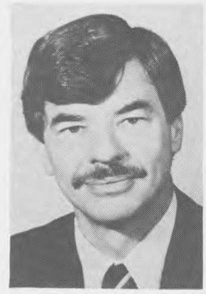
LEONARD

Beryl W. Sprinkel has been named Undersecretary of the Treasury for Monetary Affairs by President Ronald Reagan. At the time of his appointment, Dr. Sprinkel was executive vice president, Harris Trust, Chicago, where he headed the economic research office and served as a member of the bank's management, investment guidance and trust investment committees. With Harris Trust for 28 years, Dr. Spinkel and his colleagues prepared and published "Harris Economics," an economic and financial forecasting service, which includes the "Sound of Business" audio-tape-cassette program.

Cyrus R. Vance, Secretary of State in the Carter Administration, has been elected to the board of Manufacturers Hanover Corp. and Manufacturers Hanover Trust, New York. Mr. Vance is a partner in the law firm of Simpson, Thacher & Bartlett. Also elected to the boards was Frank A. Bennack Jr., president/CEO, Hearst Corp.

Joseph A. Carrera, vice chairman, BankAmerica Corp. and Bank of America, San Francisco, retired recently after serving the institutions for 44 years. He joined the bank in 1937 and had served as vice chairman since 1978. He was responsible for the bank's retail banking, data services and premises operations.

James W. Keay, vice chairman, Republic of Texas Corp., has been appointed honorary consul general of Japan in Dallas by the Japanese consulate general of Houston. The appointment is recognition by the Japanese government of the growing commercial and cultural ties between Japan and Dallas. Mr. Keay's duties include promoting cultural exchanges between Japan and the U. S. and overseeing the rights and interests of Japanese citizens living in the Dallas area.

John F. McGillicuddy, chairman/president, Manufacturers Hanover Trust, New York, will receive the 1980 leaders in management award from Pace University this month. The award honors an outstanding executive officer whose qualifications extend beyond the direction and administration of business affairs and encompass effective participation in the social, cultural and economic developments of today's complex society, according to the university.

Carol L. Korda, assistant vice president, First Bank Systems, Minneapolis, has been named treasurer of the National Association of Bank Women (NABW), succeeding Valoise Douglas, second vice president, Continental Bank, Chicago, who resigned because of a new job assignment at her bank. Miss Korda is in charge of portfolio management at First Bank Systems and is a former chairman of NABW's finance committee.

William H. Bolin and Robert W. Frick, both executive vice presidents, Bank of America, San Francisco, have been given new duties. Mr. Bolin will succeed Leland S. Prussia as executive officer for world banking. Mr. Prussia becomes bank chairman next month. Mr. Frick will succeed Samuel H. Armacost as cashier. Mr. Armacost will become president/CEO next month, succeeding A. W. Clausen, who will head the World Bank.

• **Eugene A. Leonard** has been elected senior vice president and correspondent division head, Mercantile Trust, St. Louis. He retains his title of senior vice president, Mercantile Bancorp. He joined the HC in 1977 as a senior vice president, coming from the St. Louis Fed. He is a member, board of regents, Stonier Graduate School of Banking, and is a state representative, Conference of State Bank Supervisors.

Get to know your Commerce banker.

David Scott joins Commerce's Correspondent Bank Division with eight years experience in bank operations. You can rely on him for sound advice on operational questions. David has a total of 16 years service with Commerce, having worked his way up from mail clerk to his current position of assistant vice president. During this time he also spent three years in the military and earned a B.A. from Rockhurst College. He is a Kansas City native who enjoys tennis and snow skiing.

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

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

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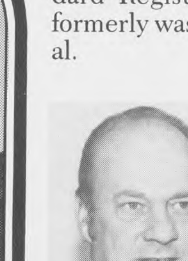
Corporate News Roundup

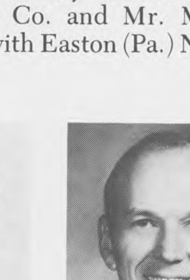
6,000th TABS Delivered

Philip F. Searle (l.), chairman/CEO, Flagship Banks, Miami, and Raymond Koontz, chairman/CEO, Diebold, Inc., are shown at ceremonies observing delivery of 6,000th Diebold TABS® total automatic banking system unit. The ATM is the HCs 49th Diebold unit in its "24-Hour Jack" network.

• **Christmas Club a Corp.** Dale Warren has been appointed account executive in Oklahoma, Arkansas and western Tennessee. Michael McNab has been appointed product manager. Mr. Warren formerly was with Standard Register Co. and Mr. McNab formerly was with Easton (Pa.) National.



TAIPALE



WARREN

• **Brandt, Inc.** Dale Taipale has been appointed director of engineering, with responsibility for product-engineering activities of the firm, which is headquartered in Watertown, Wis. He formerly was with Outboard Marine Corp.

• **J. Edward Connelly Assoc.** The exclusive sales rights to Sperry & Hutchinson stamps and catalogs in the banking field have been acquired by J. Edward Connelly Assoc., Pittsburgh, financial marketing firm. The new arrangement permits financial institutions using Connelly's service to use the facilities of S&H Green Stamp Redemption centers or Green Stamp Plateau catalogs in lieu of distributing premiums on their own premises, using Connelly's distribution system.

• **Commercial Credit Co.** Thomas H. Lawson Jr. has been named vice president/corporate marketing and elected an officer of Commercial Credit Co., Baltimore. He formerly was president, Commercial Credit Business Loans. He now is responsible for a large part of Commercial Credit's corporate marketing, including activities of consumer, business, insurance and international marketing directors. He also is responsible for market research, advertising and new product development. He has been with the firm since 1950.

• **Mosler.** Peter McInerney, John C. Nelson and Jerry D. Stites have been promoted to regional vice presidents/general managers. They direct all sales, installation and service of Mosler's security and transaction equipment as well as control and finance activities in their regions. Mr. McInerney manages the western region, headquartered in San Francisco, which includes New Mexico, Kansas and Missouri. Mr. Nelson manages the southern region, headquartered in Atlanta, which includes Tennessee, Alabama, Mississippi, Kentucky, Texas, Oklahoma, Arkansas and Louisiana. Mr. Stites manages the eastern region, headquartered in Boston, which includes Indiana and Illinois.

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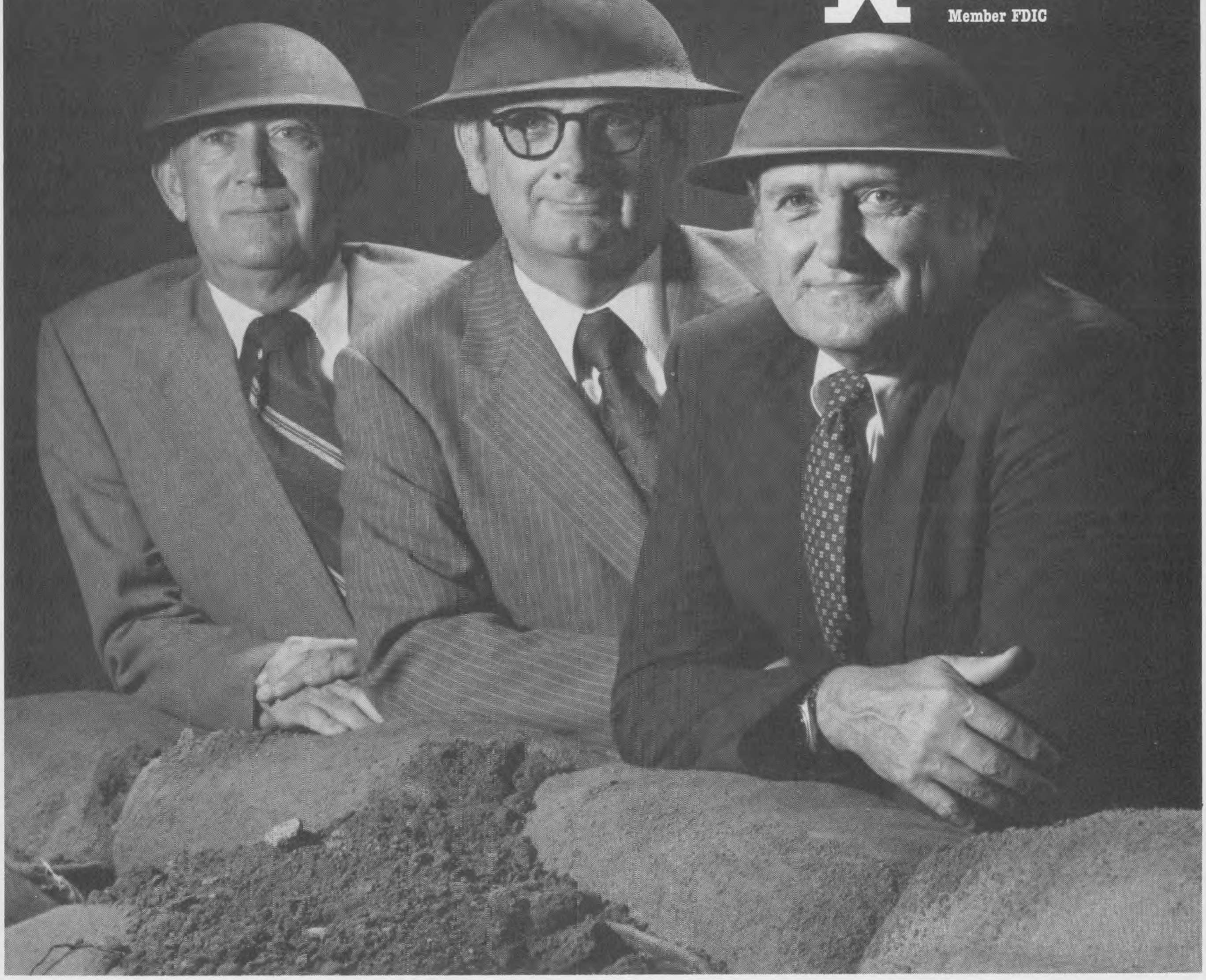


Productivity Programs Help Banks Trim Operation/Staff Costs

IN THIS AGE of high interest rates, runaway inflation and increasing expenses, banks must find ways to cut costs and make profits.

But how? That's where the term "productivity" enters the picture.

What does productivity mean to bankers? How can they boost it in their institutions? These were some of the questions MID-CONTINENT BANKER asked selected bankers throughout its circulation area.

A brief summary of the response indicates that 75% of responding banks sponsor productivity-improvement programs; more programs are implemented by a management committee than any other single entity; program implementers report, for the most part, to the CEO of their institution; top management fully supports such a program in virtually all responding banks; programs have been in existence since 1968, but the majority are four years old or less; and all areas of the bank are covered by the majority of programs.

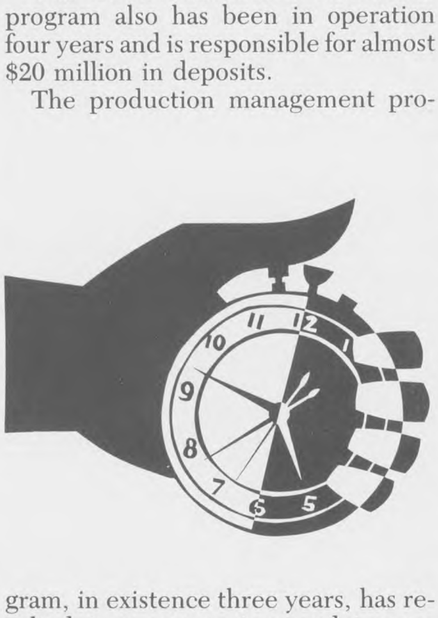
Other facts gleaned from the survey: in most cases, improved productivity has been measurable; most banks include all employees in productivity-enhancement programs; and most programs are reviewed periodically.

Respondents not having such programs were almost evenly split between those expecting to initiate programs this year and those who were undecided about having productivity-enhancement programs.

Liberty National, Oklahoma City, has a five-part program, including an officer call program, a directors' incentive program, a production management program, a CEO's awards plan and a resource management program. The programs are implemented by a team comprised of the bank's chairman, president, executive vice president/marketing and the human resources department.

According to J. W. McLean, chairman, the officer call program has been in operation four years and has brought $47 million in deposits and $40 million in loans to the bank during that time.

The bank's directors' incentive program also has been in operation four years and is responsible for almost $20 million in deposits.



The production management program, in existence three years, has resulted in a cost savings and income increase of as much as $12,000 in a year's time. It has resulted in more than 5,000 manhours saved and 24 production improvements implemented.

No results are available at this time for the bank's two other programs, since they are just getting started.

The bank's theme for 1980 was productivity, and Chairman McLean has made a strong appeal to all personnel to support the bank's 1981 theme of establishing individual goals.

He announced that a fund of $20,000 has been reserved to be used to recognize and reward the most worthy examples of goal setting and achievement by next December 1.

First National, Kansas City, established a methods analysis and development program last year, implemented by the methods analysis and development manager and a staff of three methods analysts who report to the senior vice president/finance. All areas of the bank are included in the program, which was introduced to employees through the bank's newsletter.

Members of the methods analysis team enter a given department at management's request after the department manager has been fully briefed. The team makes a presentation to employees of the department during which it requests employee cooperation.

Results have been measureable, according to Gordon E. Wells, bank CEO/chairman. "Both work hours and dollars have been saved in terms of lowering staffing levels necessary to complete projects and modify a service," he says. Modification has resulted in reduced maintenance costs.

American Bank, Baton Rouge, La., has had a productivity-improvement program for two years that includes all areas of the bank. The concept was sold "level by level" at meetings, with goals set at every level, along with budget participation, says Wayne McVadon, vice president/marketing director.

The bank engaged an outside consultant to define bank operations, such as work flow, that resulted in elimination and consolidation of both jobs and functions. The program is administered through an operating committee consisting of the bank's five senior managers.

First National, Springfield, Ill., has a work management program that originally was implemented by a consulting firm, but now is under the direction of one person at the bank who reports to the executive vice president and the personnel director.

Managers and supervisors are the principal participants in the two-year-old program, according to Roger Randolph, work measurement program coordinator. The program was explained to participants through training sessions that packaged the system as a management tool.

Weekly savings reports and graphs are generated to show departmental productivity increases and decreases. Specific productivity goals are set up for all areas. The bank plans to set up a formal productivity program this year.

First National, Chickasha, Okla., has had a productivity program since 1972 that aims to "multiply people effort," says Curtis A. Brooks, chairman/CEO. The program has enabled the bank to operate today with the same number of employees it had when it was half its present size. Payroll and employee benefit costs have decreased from 15% to under 12%, Mr. Brooks says. ● ●

Long-Range Path to Productivity: Management Development

By Terry MacColl

WHEN considering how to improve productivity in business, we typically think first about hardware or consultants we could buy to improve efficiency of systems and procedures. A less-expensive, long-range approach is to assure that the people who are being counted on to lead the business through the changes ahead are adequately prepared — and that is management development.

In most organizations, development of managers is a haphazard affair or is given just token attention. There may or may not be a basic supervisory skills program, and perhaps some of the seniors are "rewarded" with a seminar or two on some exotic island.

But that is it — nothing structured, nothing programmed, nothing specifically intended to satisfy the needs of the manager or the organization. And what about the so-called middle managers? Their development tends to be completely forgotten — and that is the manpower pool from which future leaders of the organization will be drawn.

Along with basic management skills is the necessity to educate managers on techniques to increase output while controlling costs. Obviously, this is not a simple task because productivity in a service environment is difficult to measure and, consequently, difficult to control and improve. While basic motivational skills and knowledge about applications of technology are crucial to the performance of operations managers, it is becoming increasingly necessary for them to know also how to apply quantitative and qualitative measures in their work.

Recently, there has been a concerted effort at Citibank to educate our operations managers in how to collect and analyze two types of information that can greatly affect productivity:

- Production data based on performance against standards, checked for quality, controlled for accuracy and reflecting true costs.
- Worker diagnostic data that reflect the motivational level associated with service jobs in the organization.

Once taught how to collect and analyze these data, managers then are ready to apply the results in meaningful ways. For example, production data, properly collected, are used for forecasting, capacity planning, line balancing, variable staffing and determining quality sampling/cost trade-offs.

Motivational data, on the other hand, are used to redesign jobs and entire work-flow processes. The end result often is elimination of boring and repetitive jobs as well as enrichment of remaining jobs for improved worker productivity.

The message in all of this is that management training should not be overlooked when thinking about solutions to productivity problems. Improvement of productivity is, ultimately, a line manager's responsibility. It is vital, therefore, that he or she be given the education and training necessary to fulfill that responsibility.

Terry MacColl is education director, Correspondent Resources, a subsidiary of Citicorp, New York City.

Banks Benefit From Cost-Cutting Ideas

PRODUCTIVITY-minded bankers reported the following cost-cutting ideas that have benefitted their institutions in MID-CONTINENT BANKER's bank productivity survey:

Curtis A. Brooks, chairman/CEO, First National, Chickasha, Okla.: "We adopted a plan for a cut-off in our daily proof and balancing operation to accommodate increased volume and speed in remittances to the clearing process that will further reduce float, reduce delivery cost on clearing items and increase income by obtaining more funds on a daily basis."

Roger Randolph, work measurement program coordinator, First National, Springfield, Ill.: "We combined two departments under one supervisor. We were able to measure the dollar and hour savings" from this move.

Wayne McVadon, vice president/marketing, American Bank, Baton Rouge, La.: "We established a data processing steering committee that reviews and prioritizes every data processing request to insure maximum productivity for the entire corporation from this vital area."

C. E. Renfro, senior vice president/cashier, Village Bank, Oklahoma City: "We studied traffic patterns in each area. By computing traffic and reasonable performance levels, we arrived at staffing requirements for each hour of every day throughout the month. We then adjusted schedules, and hired part-time people for peak hours. The result was reduction of the number of full-time employees."

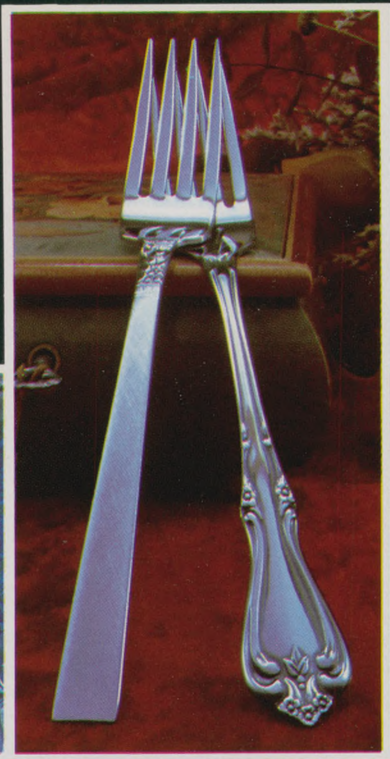
Tom Sudman, executive vice president, United American Bank, Knoxville, Tenn.: "A loan production system has enabled us to eliminate jobs of eight people involved in the paperwork for retail loans."

Gordon E. Wells, chairman/CEO, First National, Kansas City: "A study of our bank-by-mail product resulted in a cost-cutting idea measurable in dollars and cents. A significant cost of providing the service has been shifted to the customer in terms of paying for postage."

J. W. McLean, chairman, Liberty National, Oklahoma City: "Job posting and positive discipline have resulted in an approximate 38% decline in employee turnover, which amounts to a savings of at least $200,000, based on a turnover cost of $2,000-$7,000 per employee."

DEPOSIT BUILDERS

by Dalton . . .



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Comprehensive Productivity Program Pays Off To Tune of $1.5-Million Cost Savings

A COMPREHENSIVE productivity program that has been in operation at Central Bancshares of the South, Birmingham, Ala., since 1979 has paid off to the tune of $1.5 million in savings in a year's time. The program includes a management reference guide, a productivity training program for employees, an employee handbook and monthly productivity newsletters that are distributed to all banks affiliated with the HC.

According to Jean Moore, communications officer/productivity coordinator, the ultimate responsibility for productivity improvement rests with each employee. Miss Moore's job is to see that employees are made aware of their responsibility.

The program is supported by a number of productivity principles that are fully supported by Harry B. Brock Jr., chairman/CEO of the HC. The principles stress the importance of profit, customer service, innovation, intelligent risk taking, employee-productivity enhancement, superior performance by employees, energy conservation and high ethical standards.

"Increasing productivity of employees and productive utilization of facilities, equipment, capital and other resources are prime motives governing the company's planning, decision and actions," Mr. Brock says.

To make sure employees understand the importance of productivity, the HC has published a productivity philosophy that includes the following basic points:

- Productivity strengthens the firm's competitive position.
- It improves the return on shareholders' equity and generates funds needed for capital investment in expansion.
- It improves communication through employee involvement.
- It enables the firm to maintain salaries at fair levels in terms of buying power.
- It improves job satisfaction and working conditions.
- It preserves job security.
- It reduces waste and conserves materials, energy or human resources.
- It enhances customer satisfaction.
- It offsets the impact of staff shortages.

A productivity steering committee, comprised of key line and staff executives, serves as a forum to advise top management, to ensure that the company's position is transmitted, to exchange ideas and implement programs. It also monitors company policy and changes to avoid counterproductive actions that could have a negative impact on productivity.

A productivity coordinators' council, comprised of representatives from each of the HC's affiliates, operating companies and key staff groups, meets periodically to stimulate, solicit and disseminate productivity-improvement ideas; to coordinate good practices; evaluate specific goals, plans, programs, results and problems; monitor, update or recommend revision of the company position on productivity and to serve as a catalyst for efforts of departments, affiliates and companies and to assure a consistency of effort throughout the organization.

Training is the key beginning step in productivity improvement, Miss Moore says. A good productivity program should provide managers, supervisors and employees with an understanding of the concept of productivity; create an awareness and understanding of the part productivity plays throughout the organization; describe the major factors affecting productivity; cover the tools, measures and techniques for improving productivity and instill in participants a desire to apply productivity thinking to on-the-job concerns.

The HC's productivity-training program includes exercises that encourage employees to give thought to the meaning and importance of productivity enhancement. A series of questions and discussions are designed to enable employees to determine

(Continued on page 72)

Teller Productivity Project Planned

A MAJOR joint project to increase teller productivity was announced recently by the Bank Administration Institute (BAI) and the National Association of Bank Women (NABW). The two organizations expect to develop an industry-wide bank teller accreditation program next year.

The program will focus on knowledge and skill requirements, job advancement criteria, examination systems, on-the-job experience, in-house training and other educational courses.

BAI research indicates that teller turnover varies from 40% to 100% per year. Curbing turnover and increasing the quality of teller productivity requires evaluating compensation, training and management support, according to Ronald G. Burke, BAI president. Development of the program will be under the direction of James D. Bergstrom, project manager, BAI's teller training programs, and Anne L. Bryant, educational director, NABW Education Foundation.

Advisory committee members include Candy Graham, senior vice president, Mid-American National, Bowling Green, O.; Janell Hobbs, vice president, Lakewood Bank, Dallas; Challis Lowe, vice president, Continental Bank, Chicago; William J. McAndrew, vice president, Manufacturers Hanover Trust, New York City; Betty Shrader, executive vice president, Sterling Bank, Los Angeles; and Pamela Smith, manager, personnel services, Flagship Banks, Miami.

Productivity Improvement:
How It Can Be Practiced in Banks

By George Drakey, Principal, Peat, Marwick, Mitchell & Co., St. Louis

PRODUCTIVITY is the key to economic growth, which means better profits, higher real wages, more jobs and a higher standard of living.

Successfully addressing the productivity issue means lower prices, more available capital, more plant and equipment and more leisure time. As individuals and as part of an organization, we can make our single most important contribution to the preservation of the free-enterprise system by working to improve productivity.

The current level of productivity in the financial sector is lower than it was in 1950. Also, productivity growth in this industry sector is much worse than that of the entire business community: It has been negative in more years than it has been positive since World War II.

In addition, the financial sector constantly is faced with increasingly complex government regulations. It also is a victim of intensified competition brought on by the Depository Institutions Deregulation and Monetary Control Act of 1980 and a volatile and unpredictable economy.

The result: It's getting harder to make a dollar and we're hearing more CEOs make the statement that banking isn't fun anymore.

What can be done to improve employee productivity? Most industrial engineers agree that in offices with uncontrolled environments — those without formal measurement systems — clerical productivity generally is in the 60%-70% range, regardless of the industry.

Thus in large banks, there's great interest in the establishment of operations improvement or work measurement programs for operational efficiencies, staffing purposes and for the development of sophisticated cost or profitability accounting systems. Many of these systems are based on engineered standards that aren't appropriate for smaller banks, but every bank can achieve some degree of productivity improvement.

It's impossible to address the productivity-improvement issue without looking at the behavioral aspects involved. We have in the human-resource area today a changing environment of which bankers should be aware: a younger work force, a distrust of institutions, changing personal values, increasing economic pressures, a service economy and a strong demand for social accountability.

Television has increased expectations for instant accomplishment or satisfaction, particularly for those viewers who grew up with it. Having watched the most complex world problems identified, analyzed and solved in one hour — with breaks for commercials — these viewers intuitively expect prompt, easy solutions. This applies to problems within the work place, too.

Recent research by social scientists reveals changing attitudes and values within the work force. With regard to productivity, research in four areas has significant bearing: These four areas are goals, attitudes, expected timing for achieving the goals and the anticipated rewards that come from goal achievement. When the work force is cataloged into two groups, over or under 35 years of age — which equates to being born before or after World War II — the implications are that, generally, persons born in these two time spans, under the influences characteristic of those times, have different value systems and attitudes.

Goals for the over-35 group tend toward upward mobility and material possessions. By contrast, the under-35 group feels strongly about a duty to themselves, leisure activities and job satisfaction.

People are at their best when performing as essential members of an organization that challenges and inspires their personal growth, where they can see the results of their contribution.

A past president of the Work in America Institute has said that today's workers are members of the permissive and the affluent society. They have rarely experienced economic hardship. Better educated, with high expectations for their careers, they want more, faster. They are impatient for advancement in money and status and expect more openness, more communication and more involvement than did their predecessors. They feel they are entitled to these things and don't expect them to be earned by years of loyal service.

Although the quality-of-work-life concept isn't included in the definition of productivity, the two share a cause/effect relationship that precludes talking about one without considering the other. True productivity means the overall efficiency of the organization, and that includes intangibles such as the dedication and sense of service and responsibility of the human resources within the organization.

People are at their best when performing as essential members of an

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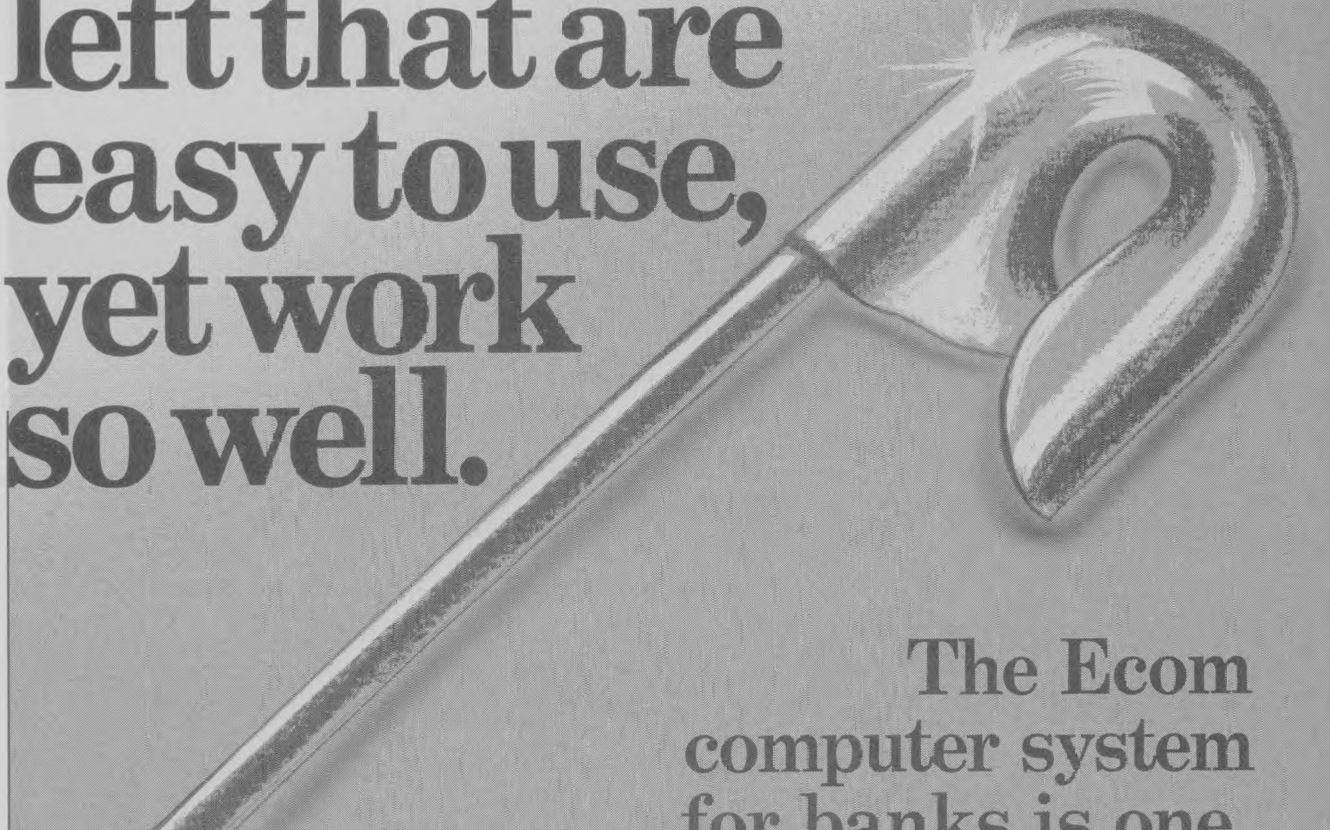
This article is based on remarks given by Mr. Drakey at the bank management conference of the Missouri Bankers Association, held recently in St. Louis.

Mr. Bank President, there are few things left that are easy to use, yet work so well.



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A good way to start to provide a work environment that's in the best interests of both employee and employer is to become more sensitive to people's needs, to provide effective and challenging work, to promote more employee involvement — which may mean more participative management and better communication, more information sharing from the top down, but also from the bottom up.

The human factor in productivity is subtle and often underestimated. Productivity studies show human resources contribute from 10% to 25% of productivity growth. In terms of controllable costs, human resources often exceed 50% of such costs. It's difficult to put a dollar or percentage figure on such contributions as skills, effort, ideas or commitment.

The quality-of-work-life concept is based on some underlying assumptions: that people want to contribute to the organization, that they are experts at their jobs, that this expertise should be tapped and that better decisions and performance will result when these factors are recognized. Improved quality-of-work-life means improved attitudes and, consequently, increased productivity.

What steps can be taken to overcome poor performance, absenteeism and lowered productivity? Let's look at our staffs in terms of selection, placement, training, appraisal and compensation.

You get only what you pay for. If we try to recruit an employee at the least possible cost, we generally recruit an individual with less experience than we want. Occasionally, the labor market affects our efforts, but we need to be more selective and realistic in our recruitment efforts. Bank Administration Institute figures indicate that 61% of all new employees are walk-in applicants. Few attempts are made to match the skills of these individuals with job requirements.

Once we've recruited employees, we must train them properly. In the 1978 BAI survey of 3,500 banks, only 34% responded that they had formal training programs and only 36% reported that they budget funds for training, education or both.

All too often, few or no training aids are provided, and procedure manuals generally are nonexistent. Thus, a bank often relies on an outgoing employee or a supervisor to train a new employee.

This process creates problems because, as one employee trains another, it's not unusual for something to get lost in the translation. Often, the new employee doesn't understand why a particular job is being done, the nature of its importance or how it fits into the bank's overall operations or customer-service delivery.

Relying on the supervisor isn't always a good policy. Many supervisors may not realize the job has changed either by design or default since they last performed it. They may not have been involved in the details of the job for a long time. Not only are many new supervisors not trained to manage people, they aren't trained to manage work. It's not unusual to inform a senior clerk of a department on a Friday that he or she will be the new supervisor of the area on Monday or within a few weeks. Generally, this employee is selected because he or she has some knowledge of the department and seems to get along with other employees.

At the other end of the spectrum, I've seen a $700-million bank place a recent college graduate in charge of the DDA department, despite the fact that this individual had no previous experience in this sensitive area.

Properly conducted training should enhance productivity. It should be considered a sound investment for the bank. It shouldn't be limited to only new employees, but should include all personnel, including the CEO — perhaps even directors.

I've noticed a lack of performance measurement or accountability on the part of officers and employees at many banks. This situation often is best exemplified in the performance appraisals given bank staff at salary review time.

If a formal performance appraisal system is in place, it generally consists of a personality-trait review or analysis. Many of these reviews are conducted as though a sandwich were being made — the first piece of bread is a compliment, the meat is constructive criticism — usually done in moderation — and the final piece of bread generally is a statement that Dick or Jane is doing a good job.

Bankers must do better jobs when holding personnel accountable for job performance. Appraisals should include the amount or volume of work produced, what is expected of employees regarding volume of work, its quality and the overall job effectiveness of the employee.

The appraisal should conclude with an identification of the employee's strengths and weaknesses. Then a mutually agreeable set of goals and objectives should be designed to apply to the areas where improvement is needed.

Salary increases must be equated with performance. Too often, everyone gets an annual raise regardless of individual performance. This stifles initiative and productivity gains by those who are capable of improving their performance.

Volume/Quantity

Another approach to improving employee productivity is to count or measure the volume and quality of work generated by employees and officers.

Things that can be counted include:

- Inquiries.
- Checks and vouchers cashed or deposited.
- Interviews for loan applications.
- Postings in the proof department or general books.
- Letters handled or typed.
- Phone calls received or made.
- Files — checks filed, etc.

Work count can be a valuable tool and helps bankers to:

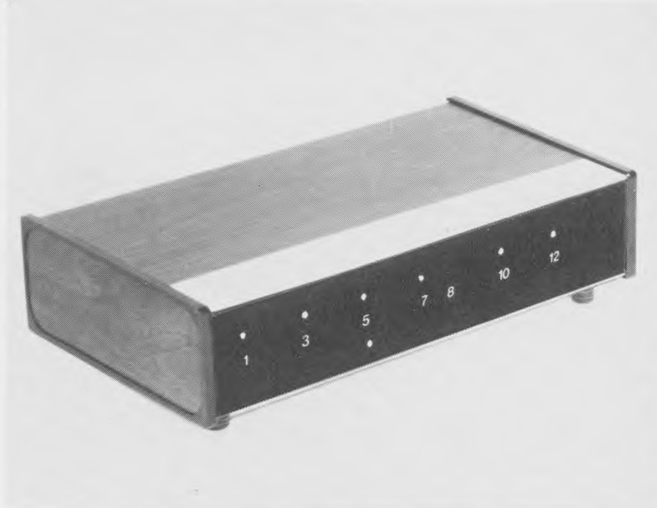
- Compare production of one period with another and monitor output trends.
- Schedule work.
- Relate tasks among other tasks.
- Measure the value of a step or task.
- Divide work equitably among employees.
- Spot bottlenecks in workflow and scheduling.
- Demonstrate personnel needs by quantifying and justifying the need for additional staff based on volume.
- Stimulate interest in employees and maybe even a little concern if they realize their work is being measured.

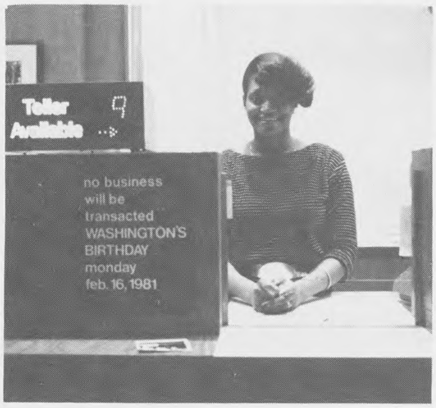
Work count isn't difficult to obtain. For example: In the bookkeeping department, computer runs will tell how many debits and credits were processed daily, how many statements had to be rendered and the number of overdrafts or return items processed.

In the teller area, the number of customers or transactions processed can be tallied, along with volume of bank-by-mail and night depository transactions and frequency and amount of teller shortages.

Loan-officer productivity can be measured by counting loan applications processed, new loans or renewals granted, penetration of percentage of credit life or accident and health insurance sold, number of collection calls made, number of business development calls made and — unfortunately — amount of charge-offs incurred by each officer.

To sum up: Productivity improvement depends to a great extent on good management skills, so the sky's the limit if the skills are practiced! • •





Measuring Teller Productivity

By Rosemary McKelvey, Editor

TOP LEFT: Virginia B. Burnell, a.v.p., Nat'l Boulevard Bank, Chicago, checks TeleGuide system printer. Top portion prints teller number, minutes window was opened, time spent on customer and number of customers served. Bottom portion is processor, which stores information for printer. TeleGuide system is product of Actron, Inc., Elk Grove, Ill.

TOP RIGHT: This TeleGuide supervisory panel, similar to one in use at Nat'l Boulevard, provides information on which teller windows are opened and available for customers and those window numbers presently serving customers. Lighted numbers show windows available. When teller is serving customer, red dot appears above that teller's number. For instance, in above panel, all windows except No. 8 are serving customers.

BOTTOM: Connie Roberson, teller supervisor at Nat'l Boulevard, stands behind teller window at which TeleGuide electronic panel indicates to customers which teller is available.

PRODUCTIVITY can be measured and probably increased in just about any banking department, but the tellers' area offers the most visible opportunity. Long, slow-moving lines and unequal teller loads in a bank underscore the fact that teller productivity in that particular institution is not good.

What can be done to improve such a situation? Chicago's National Boulevard Bank believes it has the solution with the lobby-traffic-control and teller-management equipment it installed last fall. Using this TeleGuide micro-processor system, a product of Actron, Inc., Elk Grove Village, Ill., the bank can maintain a continuous flow of customer traffic and monitor and supervise teller activity.

The latter feature is made possible through a printer that produces in printout form the following information:

1. Individual time each teller spent with customers.
2. Number of minutes of open time each teller was handling customers.
3. Total number of customers served per station.
4. How much time each teller spent per customer.

In addition, from this printout, National Boulevard can obtain all the above information for the entire teller line and also can calculate time each teller station was open.

With such information, National Boulevard can know exactly how busy its individual tellers are, peak traffic times, low-volume periods, etc. As a result, the bank can arrange its teller staffing to meet customer-traffic patterns, evaluate individual teller efficiency and increase teller-line productivity.

In addition to the printer, the TeleGuide system consists of:

1. A display sign, which gives bright, easy-to-read instructions, displays available teller numbers one at a time and includes a teller-activated chime.
2. Teller control unit, which operates on a three-button system — station on/off, supervisor page and customer-alert chime. Customer calling is automated; there's no customer call button to push.
3. Supervisor's desk panel, which

illuminates the station number of each open teller, indicates which tellers have customers and combines both visual and audible paging for quick response to a teller's needs. Its low-voltage unit plugs into a standard outlet.

The bank chose the TeleGuide system because it's customer activated, provides productivity information (time open, time with customers, number of customers) and has a supervisory panel. The latter allows tellers to request supervisory assistance without leaving their customers or stations.

Here's how the system works: Customers stand in a single-file line that winds between ropes held by stanchions. As each customer reaches the head of the line, he or she waits for instructions from the display sign as to which teller station to approach. When the customer arrives at the window, a sensing unit indicates to the TeleGuide control that the station is busy. Thus, everybody is served on a first-come, first-served basis. As the customer leaves the station, the TeleGuide control is automatically instructed to send the next customer in line. If the customer doesn't respond to the sign, the teller activates a chime within the display sign. However, the chime is used *only* when a customer does not respond to the sign and *only* when the teller deems it necessary.

Simplicity is the key to the equipment. According to a National Boulevard spokesman, all a teller has to do to activate the control unit is push a button. Again, to sound the chime or page the supervisor, he or she merely pushes a button.

The teller supervisor, too, has only to push a button to operate the printer to get information on tellers' activities.

The bank reports that its tellers are pleased with the system because it makes their jobs easier, yet they are more productive than they were before it was installed.

Another benefit, according to the bank, is maintenance. Problems are minor. If there's any kind of difficulty, Actron sends a representative in immediately to check it out. This was one of the reasons the bank installed TeleGuide. Its former system experienced numerous breakdowns. In addition, National Boulevard wanted a system that's customer activated rather than teller activated.

As for the customers, the bank says the lines do move faster now than they did before installation of the system. Because the bank had a queing system before it had TeleGuide, customers accepted it easily. From time to time, a customer will wait for the chime as a signal to move to a teller station because the chime was a part of the old queing system.

National Boulevard installed its first TeleGuide system in late October last year and the second system a month later. The bank has two display signs, 18 teller control units, two printers/processors and two supervisory panels. Two such panels are necessary because of the bank's physical layout. The system can be expanded to meet the bank's future needs without its having to be reprogrammed. ● ●

Record-High Turnover Reported For Tellers in 1980 Study

TELLER TURNOVER has reached a record high, according to a study made by Cole Surveys, Inc., a Boston-based consulting firm. The study was made in 1980 of 522 commercial and thrift institutions and revealed that four out of every 10 tellers left their bank jobs and went elsewhere that year.

"This record-high turnover is related to the heavy concentration of part-timers who now fill 20% of all teller positions," says Ben S. Cole, the firm's president. "We have observed in our annual bank-wide turnover studies that part-time turnover is significantly higher than that of full-time staffs."

Such a turnover, of course, is costly to banks in several ways. According to Cole Surveys, it costs at least $1,500-$2,000 to train a new teller. In addition, untrained, inexperienced employees make mistakes and miss opportunities, particularly in their relationships with bank customers.

Teller errors cost an average bank 3.2 times the cost of all security and protection services in 1979, says Mr. Cole. In 1978, it was 2.6 times. He points out that teller mistakes also cost more than each of the following expense items: audits, credits/collections, delivery charges and FDIC insurance. "Tellers' differences and other shortages" equaled 50% of the average bank's phone bill.

Of the 522 financial institutions taking part in the survey, 233 had assets of more than $200 million; 289 banks were under $200 million.

Cole Surveys made the study — the first it ever has done on teller turnover — to obtain answers to the following questions:

How extensive is the problem? Specifically, where does it exist, in what size banks and to what degree?

What are the reasons for the turnover?

What can be done to improve the situation?

While the survey addressed all three questions — extent, reasons, solutions — Mr. Cole says the report's focus is on quantitative data. He believes that since 522 banks and thrifts shared their information with his firm, the report giving survey results can be the basis for long-term management actions required to solve the problem.

Here are the highlights of the report as released by Cole Surveys:

There are significant variations in turnover based on a bank's size and location and especially type of teller (full- or part-time).

High turnover is not an isolated phenomenon restricted to tellers. It's high among all nonexempt (non-officer) staff, especially part-timers.

The nationwide annual teller-turnover rate of 42% is the "norm" — 40% for full-time tellers, 51% for part-timers.

In general, smaller banks have less turnover — 37% for those in banks below $200 million and 49% for those in banks above $200 million.

The smallest-size group (those with assets under $40 million) has the lowest turnover, averaging 28%.

Highest average termination rate is found in banks between $500 million-$900 million: 54%. This is followed closely by those in the $200-million-$500-million range: 50%.

The largest banks (those with assets over $900 million) have teller turnover averaging 44%. (Cole Surveys explains this by pointing out that banks with assets over $900 million are likely to have formal salary administration and training programs that account for a reversal in the upward trend. One explanation for lower turnover in the smaller asset-size banks is a more intimate, informal environment. Also, the firm points out, they usually are located in rural communities where other employment opportunities are limited.)

However, highest turnover in the nation was found in a bank in the smallest-size group. It lost tellers at a rate of 232%!

Regionally, the far West leads, with a turnover of more than 60%, regardless of bank size. Mid-Atlantic banks under $200 million were lowest, with 26% terminations.

Unit banks lead branch banks, but only by a scant 2%; 44% to 42%.

Part-time tellers now comprise more than 20% of teller staffs in all size groups and all types of banks.

The hire rate of tellers is considerably greater than the termination rate. This is especially true of part-timers, who are projected to become a larger proportion of the teller population in the 1980s.

The departure rate of part-time tellers is much higher than for their full-time associates: 42% versus 36% in banks under $200 million and 62% versus 45% in banks over $200 million.

Cole's consultants say some banks successfully counter the turnover trend by implementing innovative personnel and compensation programs, step increases, improved training and even incentives.

Problem's Dimensions. A bank or thrift institution, according to Cole Surveys, has three major categories of employees: 1. Officers (exempt). 2. Full-time staff (nonexempt). 3. Part-time staff (nonexempt). There are significantly different behavioral patterns with regard to turnover between exempt and nonexempt employees and between full-time and part-time employees. The Cole firm says that, as a general conclusion, exempt turnover is much lower than nonexempt turnover, and part-time is much higher than full-time.

The vast majority of tellers and head tellers are nonexempt employees. Included in this nonexempt group, Cole Surveys adds, are word-processing people, data-entry specialists, bookkeepers, typists, file clerks, programmers, stenographers, secretaries, some working supervisors and other employees who provide clerical and support services to management and customers.

In addition to their nonexempt status, the survey report continues, there's a heavier concentration of tellers in part-time positions compared to the bank-wide profile. Part-time employees perform many of the same jobs as those in the full-time category, but they work less than a normal workday or workweek or only a portion of the year. According to the report, they are the fastest-growing segment of the bank-employee population.

Therefore, Cole Surveys says, its initial conclusion is that teller turnover is related to a general nonexempt-employee-turnover problem, as well as to a higher turnover problem among part-time employees.

Why is teller turnover perceived to be much greater than turnover among other employees? Cole Surveys gives three reasons:

1. The teller population represents 36.9% of all nonexempts on average — the largest nonexempt group in a bank.

2. Within the teller population, there's a disproportionately high number of part-timers.

3. The job is highly visible; therefore, turnover is highly visible.

To compound the problem, says the report, the teller population is increasing at a faster rate than that of bank-wide employees. Also, part-time tellers are being added to staff faster than are full-timers. This, says the Cole firm, is a clear indication of a current trend toward greater use of part-timers — a more volatile group. At this rate of hire, says the firm, part-time tellers can be expected to become 30%-40% of teller staffs within a few years. • •

Correction

The January issue of MID-CONTINENT BANKER contained an article on a telephone survey of community bankers on ultimate results of the Depository Institutions Deregulation and Monetary Control Act of 1980. The article said the survey was made by the community bank department of the Bank Administration Institute. However, that was an error. The survey was made by the Bank Marketing Association's community bank department.

Editors of MID-CONTINENT BANKER regret the error.

Combined Hardware-Software Package 'Right Fit' for Rural Arkansas Bank

By Jim Fabian, Associate Editor

THE PROCESS of automating a small rural bank can be likened to switching from a horse and buggy to a jet plane, says Woody Castleberry, vice president at Bank of Augusta, Ark. And, he adds, it's usually accompanied by a great deal of anguish.

His bank has made the switch, but, to Mr. Castleberry's relief, there was no trauma — only enthusiastic relief that bank operations weren't disrupted, that bank personnel didn't have to spend weeks at some school learning how to operate the equipment and — best of all — that the bank now has complete control of its computer operation at less cost than it expended having the work done off-premise.

Bank of Augusta installed an Ecom Systems, Inc., Total Bank Control computer system late last year. "It's a program that eliminates the need for in-house programmers or technical specialists and one that's free from computer jargon — everything's in plain English," says Mr. Castleberry.

"No longer must we be dependent on an outside processor," he adds. "That means we no longer experience delays and breakdowns; we don't have to depend on a sometimes erratic courier service, and we don't have to put up with stacks of printouts for which we often had no need."

Mr. Castleberry's search for a computer system appropriate for his $25-million bank began about three years ago, when the bank installed a proof machine with cassette-capture capability. Although the unit was a great step forward in bank operations, it required off-premise processing, which was available in Little Rock, about 75 miles to the southwest.

"The service our correspondent bank provided was good," he says, "but we didn't want to be dependent on an outside service." So he began looking for an in-house system that would be compatible with the bank's requirements. Until last August, everything he looked at was overwhelming — more suitable for a much larger bank.

That's when Dennis Davis, director of Ecom's bank services division, called Mr. Castleberry on the phone. He told the banker that he would like to bring an in-house computer system to the bank, set it up and demonstrate it!

"This was unheard of," Mr. Castleberry says. "I was intrigued, so I told him to come on out."

Mr. Davis and his systems analyst, Duke Martin, put one processor, two video screens and one printer into the firm's van and drove the 105 miles from Ecom's Memphis headquarters to Augusta. The van was unpacked and, in about 20 minutes, the system was operating at the bank.

Mr. Davis explained to Mr. Castleberry that Total Bank Control was written by a banker in South Dakota, where it has been in use for more than two years. Mr. Davis explained that the system provides sophisticated reporting capabilities, yet is easy to operate. There's no need for in-house programmers or technical specialists.

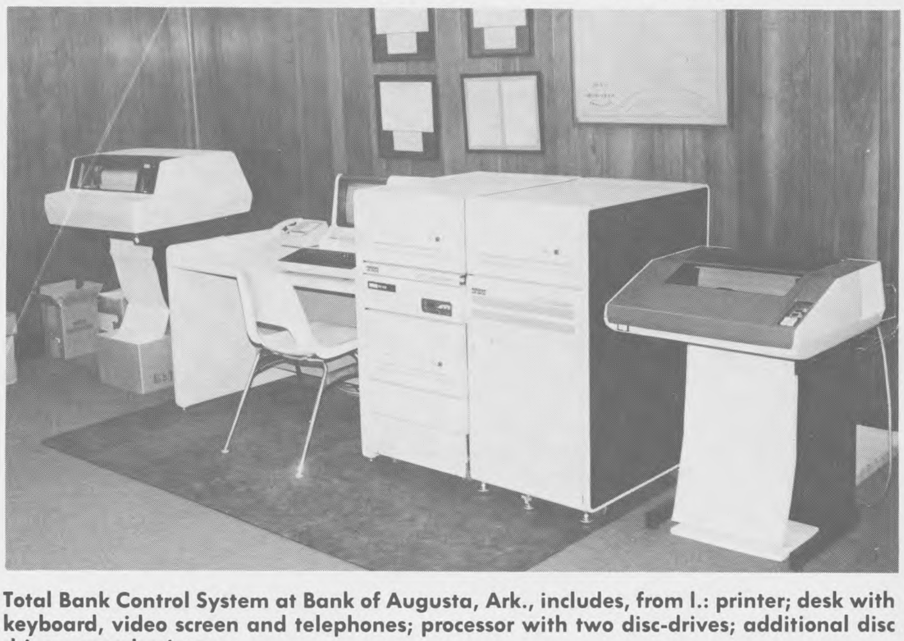
Mr. Castleberry sat down at the unit and, with no instruction, began operating it, following instructions displayed on the video terminal. By indexing a customer's account number, he learned, all the customer's current transactions can be displayed on the video screen in statement form. By pressing a key, he can cause the transactions to be printed on hard copy, also in statement form.

Mr. Castleberry was impressed. He discussed the system with his directors and asked Mr. Davis to bring the equipment to the bank for a second time. During the second visit, Mr. Davis offered to fly Mr. Castleberry to the bank in South Dakota so he could speak with the individual who wrote the software program. Shortly after that trip, the order was placed.

Bank of Augusta is the first bank installation of Total Bank Control. Ecom has been in business for many years, but previously dealt only with credit unions. Mr. Davis, a veteran bank computer specialist, organized Ecom's bank division last year.

"We bought Total Bank Control because we didn't want an operations nightmare," Mr. Castleberry says. "And, the system is cost-effective. We were spending as much as $2,000 per month for the off-premise processing.

"The Ecom system puts much more



Total Bank Control System at Bank of Augusta, Ark., includes, from l.: printer; desk with keyboard, video screen and telephones; processor with two disc-drives; additional disc drive; second printer.

information at our fingertips than did the previous setup," he adds. "And it enables us to provide a more efficient service for our customers. Now, when a customer makes an inquiry, we can use our in-house system to come up with an immediate reply. Formerly, we had to wait at least a day for the information to be supplied by our correspondent processor. And we can decide on our own statement format."

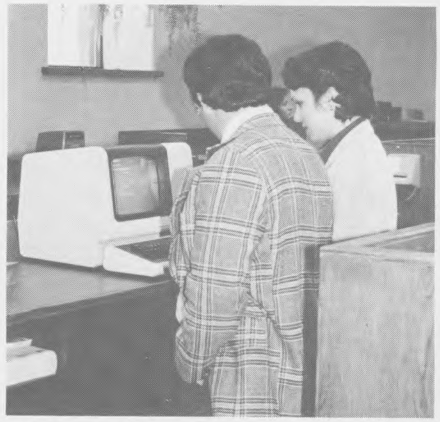
Key Operator Martha Ray (l.) feeds information into Total Bank Control System as Woody Castleberry (c.), v.p., checks printouts. At r., Dorothy Willis, v.p./cash., uses phone connecting bank with Ecom System's headquarters in Memphis.

The Ecom system gives bank personnel a choice of printing the information brought up by the computer or just reading it off the video screen. The bank purchased two printers. When printouts are called for, both printers can be activated to get the job done in much less time than one printer could perform the task. And the second printer can be used as a backup should the first printer malfunction. It also can be used for one type of printout when the other printer is busy producing another type of printout.

Mr. Castleberry likes the memo-update feature of the system. If a teller suspects that a customer with a low-balance account will overdraw the account — intentionally or not — she can record the customer's check-cashing transactions as they occur. Should the customer present a check larger than the account balance, the teller will be warned by the computer to limit the amount the customer can withdraw.

Additional video terminals and keyboards are located in the tellers' and note departments for easy access to the system. The system reads and updates customer transactions directly from the bank's proof machine.

Bank of Augusta's system includes one processor and three disc drives, which should take care of bank growth for the next 10 years, Mr. Castleberry says. The bank has grown from a $16-million institution when Mr. Castleberry joined the staff seven years ago to its present size of nearly $25 million.



Mr. Castleberry and Teller Debbie Revel Alverson make use of auxiliary video screen and keyboard located in teller area that lets tellers access Total Bank Control System at Bank of Augusta.

Another service Mr. Castleberry likes is available by picking up a special white telephone that connects the bank with Ecom's headquarters in Memphis. Should an operational problem occur, a toll-free call alerts Ecom personnel to access the computer to find out what's wrong. Ecom also has the capability to enter information into the bank's computer should there be a need to do so. Such was the case when the bank's system was being programmed with the vast amount of information obtained from the off-premise processor. It was quicker for Ecom to enter the information from its Memphis headquarters than for someone at the bank to do it.

Mr. Castleberry likes the idea of purchasing hardware and software as a package from one firm. "We were impressed, not only with the software Ecom offered," he says, "but with the hardware it distributes for Digital Equipment Corp., said to be the world's largest manufacturer of mini-computers."

Mr. Castleberry sums up: "The Ecom system enables our bank to be in control of its own destiny — and at a cost that's from 30%-40% less than anything else I've seen on the market!"

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Boost Productivity Without 'Chopping Heads'

By Rosemary McKelvey, Editor

PRODUCTIVITY STUDY! These words can strike terror in the hearts of bank employees because they conjure up an "efficiency expert" running around with a stopwatch timing their work, with the objective of "lopping off" as many heads as he can. In other words, many people equate increasing productivity with eliminating jobs and reducing staffs.

This was not the case at St. Louis' Manufacturers Bank, a $198-million bank, which — with the help of the Howard J. Blender Co., Dallas — last year started a productivity-improvement program that now saves the bank time and money.

As a result of the program, Manufacturers Bank now saves about 500 employee hours a week, according to Allen H. Blake, CPA, senior vice president/chief financial officer of the bank and coordinator of the program. When multiplied by an average salary cost of $6 an hour, those 500 hours total $3,000 a week!

In fact, between the time the Blender program was implemented last spring and the middle of this January, the bank saved 13,618 employee hours — or $81,708!

Blender went into the bank at the end of last March to do a preliminary study, lasting about three days, of: 1. Cash management. 2. Systems/work simplification. This article will focus on the second part because the theme of this issue of MID-CONTINENT BANKER is bank operations/productivity.

However, the weekend before the Blender representatives arrived, the bank's employees received in their homes letters from Manufacturers — the contents suggested by Blender — explaining what the program was all about. Also, Mr. Blake and other officers met with department supervisors to explain what was going to happen, and those supervisors, in turn, met with their people. The letters and meetings emphasized that no one would be fired because of the program.

After the preliminary survey of all areas in the bank, Blender presented a productivity-improvement program, which Mr. Blake studied to determine whether it was applicable to his bank. After deciding that it was, it became his responsibility to coordinate the program with group heads.

It's at this point where Blender presents its suggested program that Mr. Blake believes the firm is unique. It states a specific fee for working with the bank (the only variance is in travel expenses) and states definitely how many dollars the bank will save annually if it implements the program. Mr. Blake says Blender stayed within the stated fee, and not only did the bank save 2½ times the amount of the fee, but it realized *twice* the annual savings Blender promised.

Allen H. Blake, CPA, s.v.p./chief financial officer, Manufacturers Bank, St. Louis, was coordinator of productivity-improvement program described in accompanying article. Mr. Blake points out that program saves bank time and money — 13,618 employee hours ($81,708) in less than a year.

After the program was accepted, hiring was frozen for the 16 weeks that Blender's representatives (from one to four at various times) worked in the bank showing its employees how to carry out the suggested program. Reason for the hiring freeze: Blender wanted to determine how the bank was working with its then-current staff.

For instance, for eight weeks, tellers were asked to fill out reports every half hour showing each type of transaction they made. As a result, Blender was able to identify peak periods and types of transactions in the teller areas — walk-up, drive-up and lobby.

The teller study showed that barely anyone patronized the walk-up window, but the drive-up was used the most. Also, teller traffic peaked on Monday morning, Friday afternoon, at noon every day, days following holidays, first of the month/payday and social-security-payment day (usually the third of each month).

Blender took this information and designed a graph showing teller volume by each day of the week so that the bank could schedule tellers to work accordingly. In other words, the bank now can match its tellers to traffic volume. As explained by Mr. Blake, the bank can use its full-time tellers in other areas when they aren't needed at their windows. For example, they can process bank-by-mail deposits or work in the vault. Part-time tellers can be brought in only when needed. As a result, utilization of tellers was improved.

Similar studies and graphs were made in other departments, including proof, statement filing and customer service. Now the bank can keep those employees busy by reassigning work among the various departments. For instance, customer-service people are busy during banking hours, but — before and after — are able to help other departments so they can work on return items.

As a direct result of the Blender program, the bank found it could merge its customer-service and return-items departments by transferring two of three return-items employees to customer service. The third employee in return items left the bank voluntarily.

Through attrition, Manufacturers Bank is down to the number of employees needed — from 148 to 134. The program didn't just cut back. It also resulted in creation of some new

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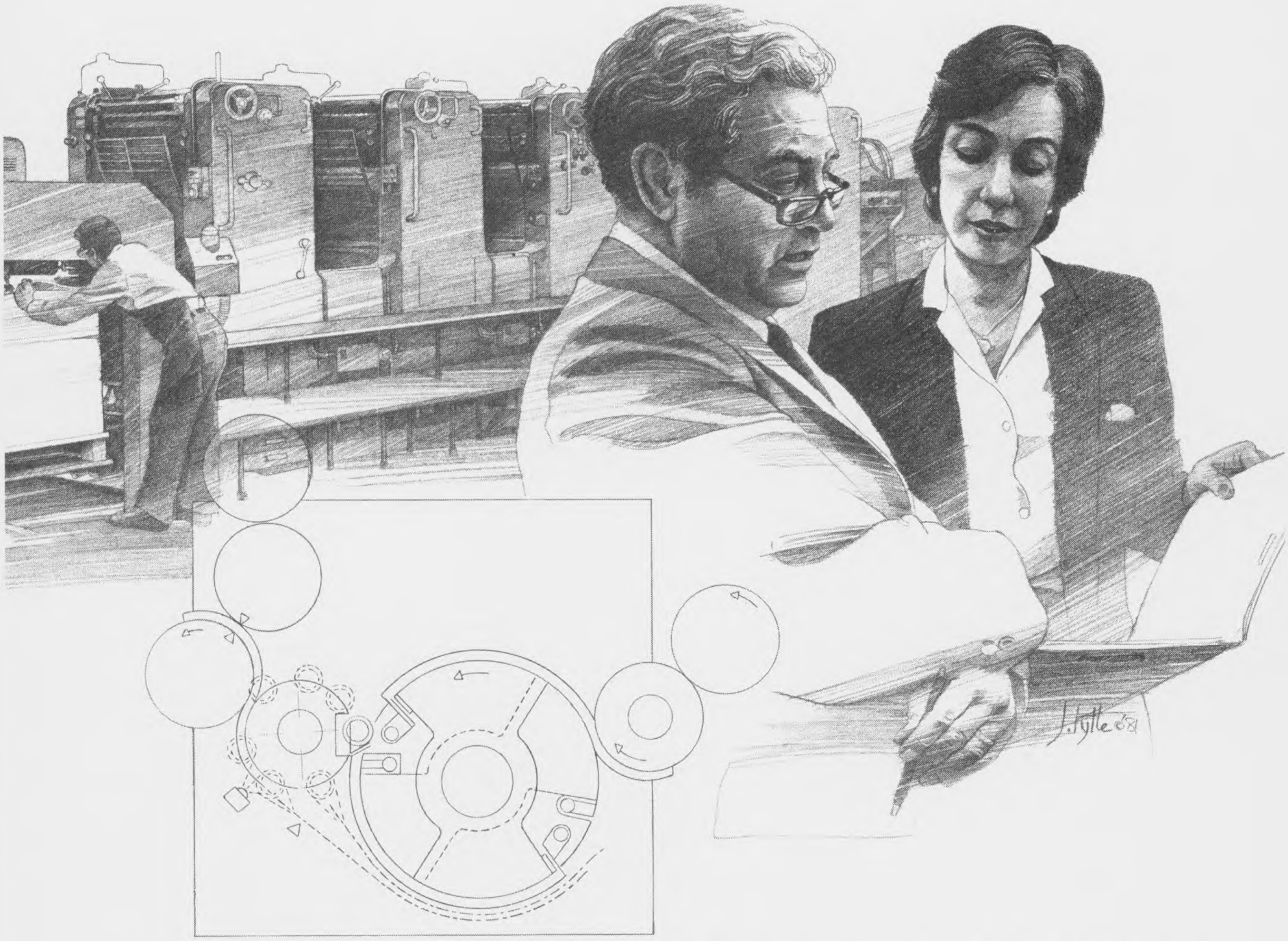

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positions. For example, one vice president had been in charge of both operations and data processing. The study showed this was too much responsibility for one person, and so the bank split the two areas, placing one officer in charge of operations and another as head of data processing. The post created through this division was that of vice president/operations, and it was filled last summer by Charles H. Buxton, who also took over supervision of the productivity-improvement program.

In the "T-shares" area (where repurchase agreements are executed for retail customers), it was found that an additional person was needed, and so a new employee was hired and assigned there.

The Blender program produced a monetary reward in the bank's mail room, where it was shown that better postage rates could be realized if the supervisor had the mail pre-sorted by zip code. Result: an $18,000 *decrease* in postage costs for 1980 in addition to other savings produced by the program.

From Mr. Blake's viewpoint, the primary benefit of the Blender program is an excellent organizational chart it provided. This chart shows at a glance who reports to whom and is designed so that the bank can change it easily. Mr. Blake points out that it has been changed since it originally was put into use.

Another program result is a management report produced weekly in Mr. Blake's department. It lists all bank departments, along with a paid-hours analysis, savings summary and utilization index. This chart shows exactly how many hours are being saved weekly and total hours as of the date of each report.

It was this report that told the bank it was saving the 500 employee hours a week and the 13,618 hours as of the week ending January 17.

The report also lists Blender's recommended hours for each department each week and next to them hours actually worked. In this way, the bank can see at a glance whether a particular department is reporting a high number of hours and can investigate the situation to find out why.

In praising the Blender people with whom he worked, Mr. Blake points out that they were extremely diplomatic and were able to convince the bank's staff there would be no "head chopping." They also were able to ask employees questions and obtain information without frightening the workers or making them nervous.

In addition, although the bank is "on its own" now as far as the productivity-improvement program is concerned, Mr. Blake says the Blender firm can be contacted in its Dallas office at any time should a question or problem arise — and without a fee being

Maintain High Productivity

A major problem for banks that have implemented a productivity-improvement program is maintaining productivity levels reached in that program, according to the Howard J. Blender Co., Dallas. People, volumes, technology, procedures all change over time, and productivity gains tend to deteriorate.

To solve this problem, Blender offers a productivity-improvement-maintenance service, which continues to educate and train bank personnel in productivity improvement, helps a bank's staff adjust to change and maintains a continual focus on productivity.

This service for Blender's client banks consists of bank-analyst workshops, on-site reviews, an annual productivity client conference, unlimited telephone support on productivity problem solving and monthly monitoring of management review and departmental productivity.

Quiet Employees' Fears With Letter On Productivity-Improvement Program

WHENEVER a bank undertakes a productivity-improvement program designed by firms like Howard J. Blender Co., Dallas, its employees could get extremely nervous, thinking the objective is to eliminate their jobs. As a result, they may not cooperate in the program.

The Blender firm has a suggestion: Head off any fear and foot-dragging by telling the bank's staff — right from the beginning — what the program is all about. In fact, Blender has a letter its client banks are free to use and advises that it be sent by the CEO to all employees as soon as possible, usually between the time Blender does its preliminary analysis in a bank and the time when its representatives arrive to implement the program. One such letter reads like this:

"Over the past several years, our bank has made progress along many fronts. Growth in our volume of business and expansion of our services have been so rapid, however, that we have not been able to devote full attention to improving the quality and effectiveness of our internal operations. To continue to provide the type of service our customers expect, handle efficiently our expanding volume of business and maintain control over our costs of doing business so that profits do not suffer, we have asked the Howard J. Blender Co. to assist us in installing a productivity-improvement program, which will incorporate benefits of effective work-management and cash-management systems. This firm, staffed with qualified and experienced consultants who work exclusively with banks, has assisted over 300 banks in implementing similar programs.

"No doubt, many of you already are aware of the Blender Co.'s presence in our bank. They are here to help us, and they are here to help *you*. This new program we are instituting should add to the bank's earnings, which can benefit all of us by providing new opportunities and increased personal benefits. Moreover, this new program will enable us to find better ways of accomplishing work and allow us to remain competitive with other banks.

"In the past, all of us have operated under somewhat vague and subjective yardsticks of performance. I believe all of us, employees as well as officers, want to know what is expected of us. This new program will provide us with better information on which to base standards of performance, and, as a result, we will be more able to reward our employees equitably for outstanding performance.

"I urge each of you to lend your fullest support and cooperation to this program we are beginning so that working together, we can achieve the greatest possible results — for ourselves, our customers and our stockholders."

charged. As vice president in charge of operations, Mr. Buxton may call Blender whenever necessary.

The Blender program has paid off not only for the bank, but for its employees as well. Mr. Blake says the bank passed some of its monetary savings on to its employees in the form of salary increases. Yet, he adds, payroll costs stayed even with a year ago. Why? The bank learned, with the Howard J. Blender Co.'s help, how to reassign employees among departments rather than hire additional help whenever someone left or when work volume increased in certain areas.

What it comes down to is that Blender showed Manufacturers Bank of St. Louis' employees how to work at their full capabilities and potential — or how to "work smarter." ● ●

System for Measuring Banks' Productivity Object of BAI Study

A productivity-measurement system for the entire banking field is the goal of a combined effort undertaken by the Bank Administration Institute (BAI), Park Ridge, Ill., and the American Productivity Center (APC), Houston.

"This project," says David Van L. Taylor, senior vice president/director of the BAI's banking services division, "will examine not only the productivity of operations and services areas of banks, but will evaluate productivity of bank-marketing and intermediation activities, such as loan-granting, funds-investigating and funds-procurement functions."

The project, already underway, is being conducted initially with the help of two banks, First City National, Houston, and Bank of America, San Francisco. Each bank has assigned a full-time productivity specialist to work with the BAI/APC staff for the entire project, which is scheduled to take nine months.

As the project continues, other banks already active in the study of productivity measurement/improvement will be added from around the country to get geographic and size representation. Money center, regional and community banks will be included in the study.

"We're going to review existing productivity measures used in banking, then develop a bank productivity measurement model," explains James Bergstrom, project manager for the BAI study. "We will look at the marketing, financial, operational and administrative functions of all major banking activities including commercial, retail, correspondent, trust and real estate.

"We will start by evaluating gross measurements such as number of accounts or transactions handled per functional employee, or documents processed per work center or machine. This macro-type of measurement can be applied relatively quickly to give banks some early benefits. Later, attention will be given to developing more precise measurements, possibly involving standard times and job costs."

The ultimate objective of the program, according to Mr. Bergstrom, is to develop a system that will (1) enable a bank to measure its productivity on a consistent basis, keep track of it over a period of time and detect any trends indicating improvement of deterioration, and (2) provide a sound basis for interbank productivity comparisons on a "peer-group" basis.

As a final product of this study, the BAI expects to offer a productivity analysis service to its members. The BAI will provide data collection forms, analyze the data provided by participants and report the results, including comparative-performance data on a peer group basis, on request. The BAI then will report industry productivity data periodically from the data base generated by the service.

Study results are expected to be available by the last quarter of this year.

"While more progressive countries of the world have industry-specific systems for comparing relative productivity, the U. S. lags woefully behind," says Carl Thor, APC's vice president/measurement. "Results of this venture will represent a major breakthrough in development of industry-wide productivity-measurement systems and, at the same time, provide the American banking community with vital productivity-comparison tools."

> The American Productivity Center, Houston, is a privately funded, nonprofit organization dedicated to strengthening the free-enterprise system by developing practical programs to improve productivity and quality of work life in the U. S. Its founder and chairman, C. Jackson Grayson Jr., is former dean of the Business School, Southern Methodist University, Dallas, and head of the U. S. Price Commission, 1971-73.
>
> The APC's board contains recognized national figures in business, labor, government and the academic world. According to a brochure it puts out, the center "strives not to duplicate efforts by others, but cooperates with organizations across the country which are devoted in varying degrees to similar purposes. The center's broad scope of involvements and its professional staff serve as a catalyst and central clearinghouse for productivity improvement, information and activities in every geographical section of the nation."
>
> The center has a Washington, D. C., office, which is a major, nonpartisan source of information and counseling on legislation directly affecting productivity.

First Nat'l, Little Rock, Funds Drug Abuse Program

Born Free, a counseling organization, has been awarded the B. Finley Vinson community action grant by First National, Little Rock.

The grant will be used to fund a training program to educate central Arkansas teenagers about alcohol and drug abuse so they can become peer counselors and information sources in area high schools.

The community project was one of 23 considered by a committee made up of 10 bank officers and staff members.

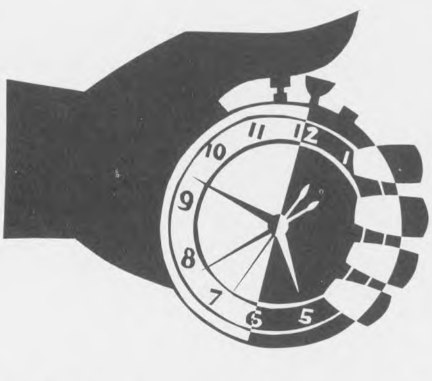
First National announced the grant of up to $10,000 last summer in honor of Mr. Vinson, currently vice chairman, who retired in 1979 after a 25-year career, during which he served as both president and chairman.

American Express Honored

James D. Robinson III (l.), chairman, American Express Co., receives 1981 Touche Ross new perspectives award from Russell E. Palmer, CEO, Touche Ross & Co. American Express was honored for its international program in support of the arts, which encourages people to broaden their cultural and global perspectives in the belief that art is a language that brings people together. Ceremony was held in New York.

Productivity Study Team's Recommendations Enable Kansas City Bank To Reduce Staff While Doubling Assets

By Jim Fabian
Associate Editor



PRODUCTIVITY GAINS depend, to a great extent, on getting employees to work smarter, not necessarily harder, says F. C. (Fritz) Edmunds, president, Red Bridge Mercantile Bank, Kansas City.

And he should know: His bank has reduced its staff by 25% while doubling its assets!

This increase in productivity is due, Mr. Edmunds says, to a service that enables bank management to obtain information about its operation that normally is difficult to obtain without disrupting bank routine and endangering employee morale.

The service is provided by Penquite & Associates, operating out of Irving, Tex., a Dallas suburb. According to Mr. Edmunds, Penquite looks at a bank with an unbiased eye and provides services that the staff, including top management, doesn't have time to perform. Among these services are specialized information and knowledge.

It's all done above-board, he says, so employees are aware of why a team of people from Penquite is spending a good deal of time at the bank measuring productivity and estimating staffing needs.

Mr. Edmunds says he agrees with the Penquite policy of fully informing bank employees about the productivity studies Penquite makes at its client banks. Making employees aware of the studies served a double purpose, he says. It alerted them to the fact that an attempt was being made to improve productivity and it answered employees' questions before they were asked, which had the effect of short-circuiting the grapevine.

A byproduct of the entire operation, Mr. Edmunds says, was that the bank's staff got the feeling that management was extremely interested in having staff people work smarter. Those who agreed with this policy supported the studies; those who didn't — and there were few — saw the handwriting on the wall and resigned.

Mr. Edmunds, who was new to the bank when the studies began, says he was skeptical at first because he didn't want Penquite to steal his thunder as president. However, after studying Penquite's proposal, he saw that the firm offered a good way to do what he wanted to do, but faster and better. "I believe that Penquite and others serve as an extension of management, not a replacement," he says.

Penquite's people became temporary staffers at the bank during the investigation period. A three-person team, one of whom was a psychologist, was sent to the bank.

Penquite told the bank this team wasn't expected to work any magic at the bank, Mr. Edmunds says. Its purpose was to acquire reliable information on which bank management could act. All the decisions remained in management's ballpark, he says.

One of the selling points of the Penquite study was the firm's assurance that the bank would save twice the fee paid to Penquite in increased profits, which was the case, Mr. Edmunds says. The bottom line for the year the study was made wasn't affected by the cost of the study. It's been all uphill since, as the bank's operating budget benefits from the 25% staff reduction resulting from the study, not to mention the increased productivity that enabled the bank to double its assets.

The Penquite team made studies that recorded the hours worked in each area of the bank. It made comparisons of hours paid versus hours worked. Team members proposed system changes that would enable tasks to be done more efficiently.

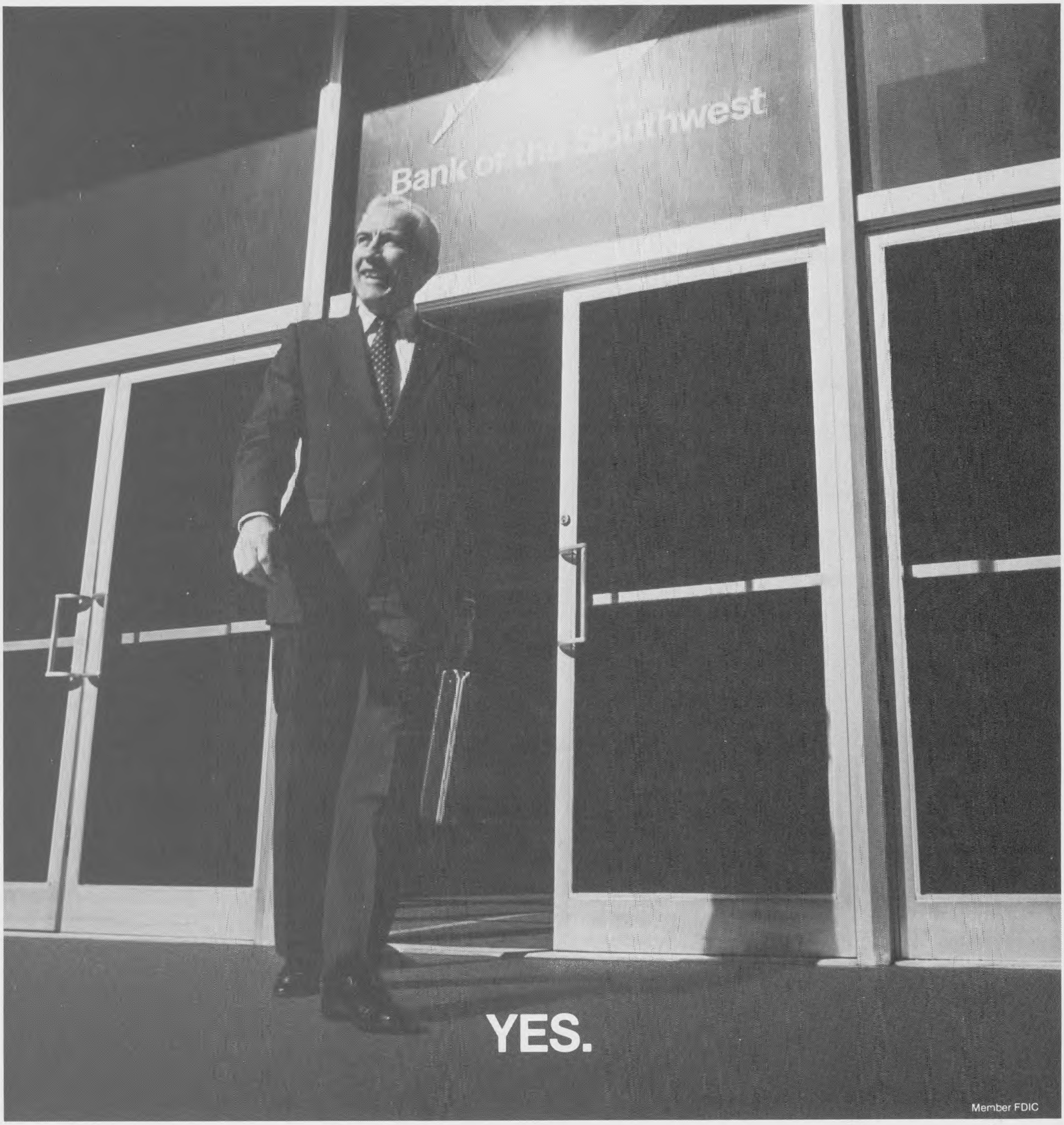
For instance, in the discount loan department, a recommendation was made to improve information generation that would enable the department to get along with fewer employees. The team recommended repricing service charges to make them more in line with the cost of providing such services. It recommended elimination of free services such as cashing checks and issuing money orders. This type of change in operation enabled personnel to provide better service to customers who maintained profitable accounts.

Penquite is good at establishing staffing levels, Mr. Edmunds says. The team recommended part-time help to enable the bank to eliminate costly overtime and increase customer convenience. A recommendation was made that enabled the bank to use one teller to operate two walk-up windows by working staggered hours. Better service was provided with no increase in number of employees or in salary outlay, Mr. Edmunds says.

By promoting better service with fewer people working smarter, the bank can upgrade the salaries of its employees, Mr. Edmunds says. This, in itself, tends to promote increased productivity.

Two criteria were considered before Penquite took on the job at Red Bridge Mercantile, Mr. Edmunds says. The first was a short analysis by the Penquite people to make sure there was adequate room for improvement. Penquite's people wanted to make sure the service would have enough impact to enable the bank to save money from the service. Second, management had to indicate it was willing to consider making changes according to Penquite's recommendations.

What Penquite's service does, Mr. Edmunds says, is remind management of the need to have good information at



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all levels. Decisions must be made on available facts; therefore, a method of obtaining such facts must be devised. Penquite provides the mechanism to get the facts, he added.

The study team spent six weeks doing on-site work, Mr. Edmunds says. After the study was completed and recommended changes implemented, the firm maintained contact for a year to provide management with assistance in specific areas.

Mr. Edmunds says he still is in contact with the firm and finds it willing to share useful information about productivity improvement at no cost to the bank. As Penquite's track record working with banks lengthens, it has more information to share with former customers, he says. ● ●

Increase Productivity Through Education

By Ronald G. Wilson
President-Elect
American Institute of Banking

BANK MANAGEMENT is looking to education for increasing bank productivity during the 1980s.

During this decade, bank employment is expected to increase by almost one million. This will bring the total work force to 2.2 million during 1990. There will be a sharp increase in the proportion of ages 25-54 in our working environment. Banking education must be channeled so as to provide the arena for a comprehensive program of human-resource development.

The American Institute of Banking, the ABA's educational division, is concerned that education be made available on a timely and accessible basis and that effective, localized delivery be an integral part of productivity. If productivity is to be increased, education must be receptive to needs of bankers at all levels. That this need exists is demonstrated by the career banker, who believes education is a lifelong process.

Last year, banking education cost our industry some $83 million. Of this, about $17 million was spent sending 270,000 bankers through AIB courses and seminars. These cost factors will challenge our industry to use our resources better and to coordinate our entire educational effort.

If all these educational goals are met, our industry clearly will surpass the average annual increase in output per manpower, which was only 1.2% this past decade.

Ronald G. Wilson is assistant vice president/trust department, Valley Nat'l of Arizona, Phoenix. Before joining that bank eight years ago, he was trust officer, Fidelity State, Topeka.

Anti-Crime Seminars, School Are Planned By Mosler for 1981

HAMILTON, O. — The Mosler Anti-Crime Bureau, the nonprofit security educational arm of the Mosler Safe Co., will hold four, two-day anti-crime seminars during 1981. They are: April 14-15, Washington, D. C.; May 12-13, Toronto, Ontario, Canada; September 16-17, Los Angeles, and October 20-21, Boston.

Programs for the seminars, held over the past 21 years, are updated annually to include the latest criminal techniques and methods to combat these crimes, according to Robert R. Rosberg, director of the Anti-Crime Bureau. Experts demonstrate on stage how the modern criminal cracks safes and defeats electronic alarm systems. Slides and case histories provide details of major bank burglaries. Confidential training films dramatize procedures law-enforcement authorities recommend for police response to criminal emergencies, kidnap/extortion threats, check frauds and bank robberies.

In addition, this year's seminars will emphasize the community anti-crime association concept supported by case histories of highly successful organizations that now exist in several areas of the country. Another new subject concerns the current rash of safe-deposit-vault burglaries. This session will include detailed descriptions of several recent burglaries and will be illustrated by official photos of crime scenes, some never before made public.

The third annual Mosler Security Officers School will be offered June 8-12 in Cincinnati. The school provides in-depth instruction on subjects of vital interest to any professional concerned with crime prevention.

For information on the seminars or school, write: Robert R. Rosberg, Director, Mosler Anti-Crime Bureau, 1561 Grand Blvd., Hamilton, OH 45012.

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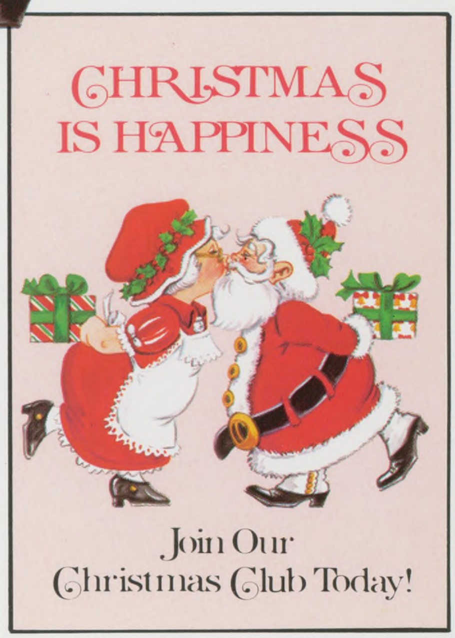

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OPERATIONS... Notebook

First National, Mitchell, Ind., is saving as much as $90 per month by encouraging its customers to pick up their monthly DDA statements if they come into the bank on a regular basis. The bank reports that about 300 customers are cooperating by picking up their statements. The population of Mitchell is about 4,000.

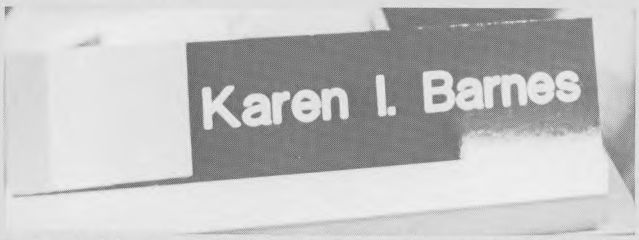
South Dakotans Can Use Iowa ATMs as part of an operation said to be the first in the nation to permit bi-state usage of ATMs. Customers of Valley Banks in Sioux Falls and Yankton, S. D., and of all Iowa banks are eligible to use their debit cards at ATMs owned by Valley Banks and at ATMs in the Banks of Iowa Computer Services system (BICS). The bi-state operation is possible because BICS does the data processing for Valley Banks and the Iowa ATMs.

Lowest Teller Turnover Rate of any major bank in Arizona is claimed by First National of Arizona, Phoenix, due in large part to a program called "the First's best in the West teller certification program."

Purpose of the program is to recognize tellers' contributions to the bank. The program enables tellers to earn recognition as professionals by demonstrating their expertise in customer relations, teller procedures and bank policies.

Recognition can be earned on three levels, symbolized by nameplates with bronze, silver and gold stripes. After applying for the voluntary program, tellers qualify for the stripes and other rewards through evaluation by customers and supervisors, length of employment and written tests. Successive testing and evaluations are required to advance from level to level. In addition to stripes, tellers who rate successfully become eligible for pay raises and gift certificates.

Nearly 500 of the approximately 1,100 tellers in the First system have achieved the gold level. The program is in its second year.



Series of stripes on teller's nameplate at First National of Arizona, Phoenix, indicates teller's proficiency in customer relations, teller procedures and bank policies. Each stripe (bronze, silver and gold) signifies recognition for certain level of proficiency.

How to Curb Operational Expenses without sacrificing the quality and range of retail services will be discussed by bankers during the ABA's 1981 Retail Bank Operations Workshop, April 12-15, at the Hyatt Regency Hotel, Kansas City.

Techniques and guidelines on maintaining tighter controls over expenditures in areas such as equipment, security, staff control, salaries and advertising will be discussed at the meeting.

Keynote speaker will be Jack Whittle of Whittle, Raddon, Motley & Hanks, Chicago-based financial marketing group. Mr. Whittle's topic is "Controlling the Non-Interest Expenses of Retail Services." Meredith Fernstrom, vice president/consumer affairs, American Express, will discuss staff productivity, and both speakers will participate in a question and answer session.

Also on the program are general sessions on the delivery of retail services and pricing bank services. Peer-group discussions will be featured in five areas: non-interest expense items, paper elimination, salaries, new service concepts and strategic planning.

For additional information, call the ABA's Ann Siegel at 202/467-5254.

A One-Week Resident Bank Trainers School has been set for April 20-25 by the ABA to offer bank instructors a more in-depth study of ways to meet the challenge of their jobs. The current emphasis on bank profitability and cost-effective management provides the theme for the school, which will be held at the College Inn Conference Center, University of Colorado, Boulder.

The program is aimed at individuals who have limited experience in formal training departments or those who conduct training programs while performing other bank duties and are seeking a basic education in banking training.

The program will emphasize three major aspects of a bank trainer's role: program development, training techniques and a section devoted to specific training topics, such as supervisory training, teller training, career planning, management training and orientation.

For more information, contact Norma Romeo at 202/467-6651.

Effects of the Fed's Pricing Services and federal legislative and regulatory initiatives are to be discussed at the ABA's 1981 National Operations and Automation Conference May 31-June 3, in New Orleans.

The three-day conference will focus on the needs of operations managers and data processing personnel from the nation's money center, regional and community banks.

More than 90 general, concurrent, special interest and peer group sessions will address issues concerning legislation, regulation, bank operations, data processing, item processing, EFTS, competition, NOW accounts, telecommunications, home banking and other topics.

Additional information is available from Saundra Currence, 202/467-5290.

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Marketing People Can Help Banks In Productivity Area

NO LONGER can banks afford to perpetuate the expensive, labor-intensive and inefficient operation of its basic delivery network in the form of brick-and-mortar branches and the equally labor-intensive paper-pushing back-room operations to support branches. This was the message delivered by Larry Edwards, senior vice president/community banking division, Lincoln First Bank, Rochester, N. Y., at the ABA's 1980 national marketing conference.

Mr. Edwards addressed the question of how bank marketing people can help stimulate some real productivity and efficiency gains from the retail delivery network in the next few years by focusing on the following eight suggestions:

1. The first way involves measurement of productivity and efficiency of branches to identify the ones that require more in-depth study. Start by listing resources committed to each. Include salary and benefit dollars and other dollars spent by people. Next, list equipment expenses in each branch, and, finally, put down all real estate-oriented capital or depreciation expense for each branch.

Next, tabulate basic business volumes in terms of dollars of demand and time deposits, number of transactions, loan outstandings, fee income, interest expense and interest income. You can break things down finer than this, but the basic discipline is to begin establishing some ratios to determine productivity and efficiency measures of each office. Typical ratios would be salary dollars to transaction volume, transaction volume to deposits, salary expense to interest margin. You can arrive quickly at a ranking of your branches in terms of productivity and efficiency by comparing the same ratios among branches. This kind of exercise leads inevitably to establishment of standards or norms for productivity and efficiency. Marketing people have all the skills necessary to perform this kind of analysis and to clarify with senior management what measurements will be used and how they affect profitability.

2. Use data you developed with the first suggestion to identify less productive branches as candidates for closing or space reduction. Of course, with space reduction goes the possibility of staff reduction and other expense reduction from a scaled-down effort.

There's a lot of market research information involved in evaluating closing or reducing banking office space. You must consider the overlap of geographic boundaries and natural market areas of one branch versus others in your system and those of the competition. You must know what portion of transactions are convenience transactions from customers of another branch and identify that portion of your customer base you decide might bank elsewhere if you closed the office. In fact, the same kind of research you probably have prepared for your bank as a whole is applicable to evaluation of marginal branches to understand fully what the implications of their closing would be.

> "If you were reinventing the checking account today, would you send those pieces of paper back? Whether it takes differential pricing or just one super selling job, there has to be a way to match banking's economic need for productivity and the customer's need for control and records."

At my bank, we analyze the following to decide to close or shrink an office:

a. Deposit and loan historical growth and trends — leading to a projection.

b. Transaction volumes for each major service (staff is more controlled by transaction volume than by dollars or numbers of accounts).

c. Branch-income/expense elements.

d. Branch profitability (use both net-cost-of-funds analysis, and value funds at short- and long-term marginal rates).

e. Realistic real estate alternatives — they are the biggest reason for lack of flexibility.

f. Competitive volumes in branch territory (FDIC data are available).

g. Survey branch traffic to determine whether people going there are that particular branch's customers or are using that branch although their branch of account is elsewhere in your network. This is a key fact because typical branch P&L statements are not an accurate reflection of the branch's contribution to the whole system. Ask these customers whether they would switch banks or use another office of yours if this one closed. This is the key in determining what will be your forecast of business retained and lost.

Then, you have to work on the creative side of things to figure out how a branch closing can be implemented (customer communication, notification, personal treatment to get customers to stay with you). This is where your marketing disciplines are helpful. In the process of making your recommendations final, you'll find you have to touch many disciplines in the bank to put together a pro forma statement of the cost saving versus interest margin and fee income lost. You need to

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incorporate incremental financial analysis in cooperation with your controller's or treasurer's function, along with realistic real estate alternatives for disposal of branch property.

3. Even if branch closing or reduction of space is not indicated by your analysis, you still have developed valuable information to begin a third way to improve productivity by studying how you can balance branch resources committed to the profitable market potential for each branch — in other words, make adjustments if you can't close. To make these kinds of fine-cut decisions, however, requires more knowledge than you have now — knowledge of the cost and quality of resources committed at each branch and of the size and characteristics of individual branch markets. All this involves looking at individual branches as if they were unit banks and asking yourself whether you have the right resources committed to each branch location to serve the kind of markets that are competitively available, with the right personnel skills, equipment and facilities.

Data needed to make these kinds of decisions are:

Resources

a. Real estate lease/own alternatives.

b. Branch inventory of facilities, equipment, space descriptions.

c. Branch convenience features — parking, on a bus route, traffic counts, plaza or commercial location.

d. Branch volumes (already described).

e. Staffing analysis — manager, platform tellers.

Market

a. Residential market factors — population, household incomes, home values, percent housing by type, length of residence.

b. Commercial market factors — number of companies, employees, sales volume, new construction by SIC code.

c. Competition — number, type, location, facilities, staff quality, market shares, deposit/loan history and trends.

"Understanding the analytics, setting servicing standards, selling the system to branch operating people, top management and employees — all are skills marketing people have developed on other fronts."

4. Do a work-management analysis, which should save from $5,000 to $8,000 a year at a branch that has a full-time to part-time teller ratio of two to one and that is not a unique or a head-office facility.

It used to be that you had to hire two or three persons to learn the discipline and do the information gathering and calculations. However, today, there are a number of time-sharing and other shortcut, numbers-crunching services available that allow you to do a first-class job with little investment. They cost perhaps $1,000 per branch.

Marketing people definitely are needed to support branch operations and branch management in this type of effort. Understanding the analytics, setting servicing standards, selling the system to branch operating people, top management and employees — all are skills marketing people have developed on other fronts.

5. Work measurement has a natural cousin, and that is discovery of operating-methods improvement. Some examples of this are:

a. Suggestions for physical layout change.

b. Transfer of certain operational chores to the back room.

c. Changes in transaction procedures.

d. Reassignment of certain functions from teller line to platform.

e. Changes in branch hours to better match transaction counts.

f. Changes in messenger schedules for optimum transportation of work to transit.

6. One productivity and efficiency activity that has gone largely ignored is the whole area of automatic payments and deposits. Banks have been selling overdraft banking to new checking-account customers for years, usually with automatic payments from checking accounts. Some banks can show impressive results with automatic deposits — either direct deposit or transfers from checking to savings. If we can get customers to agree to automatic overdraft payments in variable amounts, why can't we make mortgage payments and installment-loan payments automatic debits from checking accounts? Let's organize the new accounts desk in these loan departments so that they ask for it in ways logical to customers. There is a good productivity benefit from substituting inter-bank electronic payments for paper-based ones.

7. This productivity/efficiency benefit will go to banks that do all they can to standardize computer systems. I suggest you start by collecting all customer statements for the "same services" and examine them for differences delivered to the customer. Then, at the other end, go through the software to see what is common and what isn't among your bank's divisions. You can also track these differences all the way through your operating and delivery systems to determine costs associated with maintaining, supporting and operating with these differences. Then, you can turn your attention to the market, asking yourself which of these differences still is valid and can be supported.

8. There are enormous productivity and efficiency gains in banks' demand-deposit-account delivery systems from both bulk filing of checks and the ultimate — check safekeeping. There are expense savings all along the line if you can truncate checks at the bank of account and even bigger ones when checks are truncated at bank of first deposit in the future.

If you were reinventing the checking account today, would you send those pieces of paper back? Whether it takes differential pricing or just one super selling job, there has to be a way to match banking's economic need for productivity and the customer's need for control and records. ● ●

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Vice President
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Jus Help'n

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• **Spacesaver Corp.** A brochure showing how high-density mobile filing and storage systems can save from 177% to 516% of floor space at lower costs compared to conventional filing methods is available from this firm. Brochure SCC-79-33 provides details on the space conservation and cost effectiveness of aisle-eliminating mobile systems as contrasted to vertical, lateral and open-shelf files. Write: Spacesaver Corp., 1450 Janesville Ave., Ft. Atkinson, WI 53538.

• **Burroughs Corp.** A financial forms management service that provides banks with ideas to buy and manage forms with economies in forms procurement, storage, processing and price is available from this firm's business forms division. The service designs forms for banks that minimize manufacturing costs and work in the bank's automated system. Write: Burroughs Business Forms Division, 1150 University Ave., Rochester, NY 14607.

• **Alden.** A high-speed facsimile system designed for banks to verify signatures between a main office and remote branch locations is available from Alden. The system consists of separate high speed, solid state facsimile transmitter and recorder. The transmitter scans the desired area of a signature card and transmits it over telephone lines to any branch. Other bank instruments, such as checks, deposit and withdrawal slips, etc., also can be transmitted and received on the equipment. Write: Alden Electronic & Impulse Recording Equipment Co., Alden Research Center, Westboro, MA 01581.

• **Besco.** A new black light signature-verification system for passbooks has been introduced by this firm. Besco says the system's features are: on-the-spot signature verification in seconds; no need to refer to signature cards; inter-branch transactions facilitated; applicable to drive-up and mail-account operations; complements on-line systems; uses existing passbooks and procedures; easily understood and implemented and inexpensive and efficient. Write: Besco, 1804 Plaza Ave., New Hyde Park, NY 11040.

• **Actron.** A high-intensity drive-in sign now is available with a special "clearance" message that indicates the height of a low canopy. Sign optics provide a message that can be read in bright sunlight. The unit can be installed on the front of a drive-in canopy. Write: Actron, Inc., 1351 Jarvis Ave., Elk Grove Village, IL 60007.

• **Diebold.** TABS 950 and 960 units have been introduced by Diebold to provide small to medium financial institutions with AIM systems with off-line reversion capability. The TABS 950 off-line unit and the 960 on-line unit with off-line reversion make the TABS system practical for banks planning to implement ATM programs with single or relatively small numbers of units, according to Diebold. The units include controller capability, are upgradable to standard on-line operations and utilize an operating format identical to that of other ATMs in the TABS 9000 series. Write: Public Relations, Diebold, Inc., Canton, OH 44711.

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Productivity Among Chief Topics At Bank Management Conference

By Jim Fabian
Associate Editor

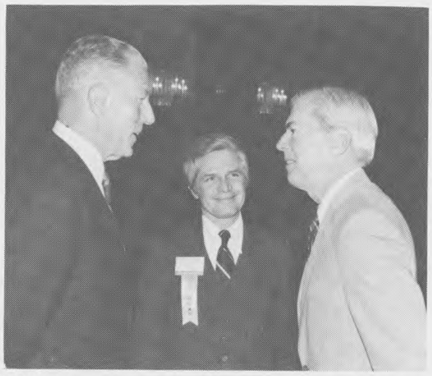
BANK PRODUCTIVITY, asset/liability management, pricing bank services, bank competition, positioning banks for the 1980s and an economic forecast were highlights of the annual bank management conference of the Missouri Bankers Association, held recently in St. Louis. More than 500 Missouri bankers were in attendance for the three-day program.

Several ways for banks to boost productivity were offered by George Drakey, principal, Peat, Marwick, Mitchell & Co., St. Louis, during his talk on how to increase employee productivity.

He said banks are using too few training aids in their employee training programs. He added that too many banks fail to match the talents of employees with types of jobs they are given. The train-by-observation practices of many banks have proved to be less than ideal, he said, because the employee the trainee is observing often isn't correctly trained. Even supervisors get out of touch with the latest training techniques, he said, and many supervisors have never been adequately trained to manage their work.

He advised bankers that training should include everyone in the bank — even directors. Employees should be made aware of the importance of the work they are being trained to do.

Darryl R. Francis (l.), ch./pres., Merchants Nat'l, Ft. Smith, Ark., and Harry V. Keefe Jr., ch., Keefe, Bruyette & Woods, New York City, were on afternoon program on second day of conference. Mr. Francis gave economic forecast; Mr. Keefe discussed positioning of banks in '80s.



MBA Pres. Lee W. Huddleston (r.), pres., Country Club Bank, Kansas City, chats with Paul Smith (l.), e.v.p., Security Pacific Corp., Los Angeles, conference speaker, and M. Leon Hall (c.), ch., MBA bank management com., and ch., Webster Groves Trust.

Mr. Drakey said the current times are ideal for banks to employ part-time people and develop a labor pool of this type of employee. Many talented people are out of work due to economic conditions, he said, and these people can be put to good use in banks.

Many bank managers don't know how well their employees are doing due to lack of good employee appraisal techniques, he said. Steps should be taken to enable managers to count and measure the work that employees perform. And not only employees, but officers, too! Job duties should be better defined and productivity-improvement committees should be formed. An article based on Mr. Drakey's talk appears elsewhere in this issue.

The productivity theme was continued by Robert E. Lefton, president, Psychological Associates, Clayton, Mo., who spoke on employee relations with their supervisors.

He predicted that banks would be paying more for less work in terms of productivity in the '80s, because of higher turnover caused by unpleasant work climates.

The work climate of a bank determines the success of productivity, he said. Work climate includes organization, decision-making processes, problem-solving techniques, etc. Management should be concerned about the value placed on teamwork, involvement with others and conflicts within the organization. The CEO, he said, sets the climate of any organization.

He described four categories of CEO, from those who are abrasive and run their banks with a hostile attitude to those who exercise "compassionate dominance," an attitude that's receptive to the needs of employees. He said the ideal manager is one who is tough, but responsive. Leadership of a bank must be result-oriented but include compassion if the bank's productivity is to be improved.

Paul Smith, executive vice president, Security Pacific Corp., Los Angeles, spoke on asset/liability management as it's practiced at Security Pacific.

After giving a profile of the HC, he spoke about its organization, its financial management, review and appraisal procedures, impact on operational management, the role of the resource management department and the HC's finance plan.

In addressing capital adequacy, he said the HC's view is that only stockholders' equity may be termed capital. All other forms of funding, except preferred stock, ultimately must be paid off, or in the case of the reserve for loan losses, needed to properly value an asset.

"For example," he said, "we see no difference between a 30-year debenture with one-year remaining maturity and a newly issued one-year CD. On the other hand, the particular leverage ratio with which we feel comfortable is very much influenced by the characteristics and maturity of our funding sources relative to the types of assets they support, both in an absolute sense and relative to our peer group."

MBA President Lee W. Huddleston, president, Country Club Bank, Kansas City, presented the MBA's new radio ad campaign. The commercials were prepared by the MBA's marketing and public relations committee, chaired by Larry D. Bayliss,

Conf. Ch. M. Leon Hall (c.) is flanked by Robert E. Lefton (l.), pres., Psychological Associates, Clayton, Mo., and George Drakey (r.), principal, Peat, Marwick, Mitchell & Co., St. Louis. Both speakers discussed phases of productivity.

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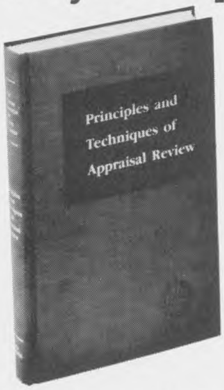

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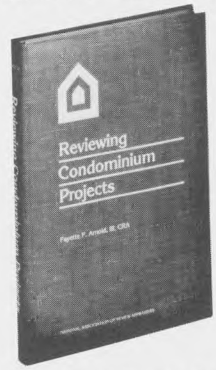

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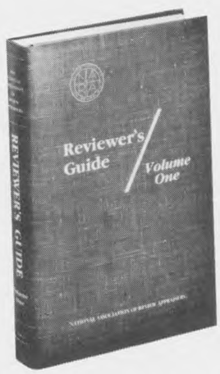

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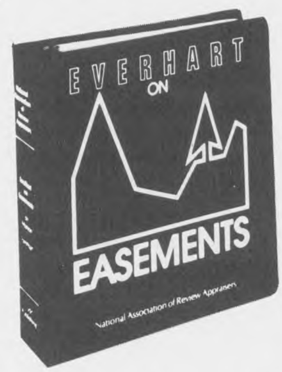

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vice president, Boatmen's National, St. Louis. The three 60-second commercials were played after Mr. Huddleston warned the audience that they were hard hitting in their criticism of S&Ls. One of the ads will be broadcast throughout the state and tapes are available to bankers wishing to sponsor the ad on their local stations.

A two-hour session on pricing bank services and competition was presented by Jack Whittle, chairman, Whittle, Raddon, Mottley & Hanks, Chicago.

Mr. Whittle told bankers that survival of their banks depends on how well they can feed the "loan-demand monster" every day. The monster lives on deposits, Mr. Whittle added, and bank officers aren't used to going out after deposits.

Now that banks are giving more attention to generating deposits than they did in the past when deposits were relatively easy to obtain, he said, deposit officers are sharing the limelight with loan officers as far as importance to bank viability is concerned. Deposit officers should look for high cash-flow situations, such as small-business accounts, he said. One such account is worth 60 individual accounts.

One of the problems banks have, he said, is trying to make the average customer-contact employee, who is 27 years of age, compatible with the average deposit customer, who is 60 years of age.

He decried the fact that savers are penalized by taxes while borrowers are given tax breaks. The U. S. is the only industrialized country where such a situation exists. This situation has created a mentality on the part of consumers to borrow rather than save, which makes it tough for banks to garner deposits.

The fact that banks can no longer count on living on spread makes it essential that they operate as financial utilities, charging for every service. Services must be delivered differently now, he added, and nonprofitable-account services must be charged for.

The name of the game, he said, is to keep customers out of the bank. Every time a customer comes in, he said, it costs the bank money, since the majority of customers coming into a bank are low-deposit customers. The best customer a bank can have, he said, is the one who stays home and doesn't write any checks!

It wasn't long ago, he said, that banks scrimped on pay to employees so they could lavish services on customers. In the '80s it will be necessary for banks to charge customers for services so they can pay employees better.

Jack Whittle, bank marketing consultant from Chicago, makes point while discussing pricing of bank services at MBA conference.

For the future, he predicted that branching will be passé by 1985, with drive-ins going out of style shortly after that time. Local ATMs will be outdated by 1988, he said, to be replaced by regional ATMs and, later on, by national ATMs. National debit cards will be popular late in the decade, as will in-home banking.

Harry V. Keefe Jr., chairman, Keefe, Bruyette and Woods, New York City, lambasted the Fed for what he termed "its fetish on concentration and its fear of unreasonably high loan rates." He termed the Fed's position "ridiculous." He called on the Fed to accelerate and broaden its criteria for mergers and accused the agency of not realizing the great need that exists for mergers due to the plight of many mutual savings banks and thrifts.

He said it's time to stop protecting the home buyer and favoring the saver. He termed the plan to phase out Regulation Q over five years as "utterly stupid." The regulation should have been eliminated all at once, he added.

The period ahead will be especially tough for bankers, he said, because the cost of funds is going up, bringing increased pressure on earnings. He advised bankers not to make long-term fixed-rate investments, no matter how great the temptation to do so becomes.

Darryl R. Francis, chairman/president, Merchants National, Fort Smith, Ark., and former president, St. Louis Fed, predicted that the prime won't drop as far as it did last year, and it might not drop much at all until mid-year. If the Fed brings the growth rate down now, he said, we can expect the final windup of the rate cycle and the final topping out of interest rates during this cycle. He said we may see a recession late this year or early next year that will match the 1974-75 recession. Such a recession is needed if inflation is to be reduced, he said. He called for keeping any tax cuts in line with reduced federal spending and advised bankers to support efforts to balance the federal budget. ● ●

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In St. Louis:

Topping Out Held For Future Home Of First National

Last steel girder — 19 feet long and weighing 1,300 pounds — is lifted to top of new 30-story First National Building in downtown St. Louis as part of structure's topping-out ceremonies. Beam was signed by bank's employees and customers in lobby of present building week before being taken to site.

Clarence C. Barksdale (r.), ch., First Nat'l, St. Louis, is joined in toast to bank's future home by Missouri Governor Christopher S. Bond (c.) and St. Louis Mayor James F. Conway. Building is tri-venture of bank, IBM and Equitable Life Assurance Society of U. S.

Clarence C. Barksdale, ch., First Nat'l, St. Louis, signs his name on I-beam in present bank lobby. Beam later was taken to site of bank's new building and hoisted to its top story. Structure is scheduled for completion in December.

"A MONUMENT to the continuing renaissance of St. Louis" is the description given the future home of that city's First National during topping-out ceremonies for the structure January 27. The observation was made by A. J. Hedge Jr., vice president/real estate and construction division, International Business Machines Corp. (IBM). That firm, the bank and Equitable Life Assurance Society of the United States are partners in the venture.

Mr. Hedge said IBM's participation in the building project "underscores our faith in the tremendous importance and vitality of the nation's metropolitan areas and our belief in the effectiveness of well-planned urban-renewal programs."

Clarence C. Barksdale, First National's chairman and master of ceremonies, hailed the topping out as "an historically significant milestone in the construction of this building, which will be one of the finest and largest structures in Missouri."

Other participants in the ceremonies at the two-block site included Missouri Governor Christopher S. Bond, whose wife had presented him with their first child, a son, Samuel, the night before; St. Louis Mayor James F. Conway and Robert T. Kist, vice president of Equitable.

Mr. Kist noted, "As for Equitable, the project makes up a good portion of the $160 million we currently have invested in downtown St. Louis. For the metropolitan region as a whole, our investment today exceeds $300 million. Obviously, ours is not a casual commitment to St. Louis. We believe in the future of St. Louis today just as strongly as we have in the past."

A 19-foot, 1,300-pound steel I-beam, to which an American flag and the traditional evergreen tree were attached, was hoisted to the top of the 30-story structure after having been brought to the site by a team of Anheuser-Busch Clydesdales and christened with champagne by principals in the tri-venture. Once the I-beam was in place, Mr. Barksdale threw a switch that turned on a series of 150-watt light bulbs to light the octagonal perimeter of the building. After the ceremonies were over, Mr. Barksdale invited spectators to partake of champagne, coffee or Michelob beer.

For a week before the topping out, the I-beam was in the lobby of the present First National building, where bank employees and the public were invited to sign it.

When completed next December, the structure — to be called the First National Building — will contain 923,660 square feet, making it the largest bank/office building in Missouri, according to spokesmen for the project. Seventy-five percent of it will be occupied by the bank and IBM, with remaining floor space available for lease.

In addition to the 30-story tower, the project includes a six-story low-rise structure, which will span a street. The building's exterior will be a bronze-tinted, reflective-glass-curtain wall. It will have a computer-controlled heating, cooling and ventilated system, which will use an "economizer cycle." The latter will allow use of 100% outside air when temperatures permit.

The building, for which ground was broken in October, 1978, was designed by 3D/International, Houston.

A BREAK

In the Money-Market Barrier!

$18 Million in Fund Assets Channeled to Small Banks

By Jim Fabian, Associate Editor

IT TOOK only 90 minutes last February 20 for 35 banks in Indiana and Ohio to take advantage of a plan that is making money-market funds available to community institutions. In that brief time, the banks sold $14 million in $100,000 CDs to seven money-market funds affiliated with Federated Cash Management Systems, Pittsburgh. The CDs were offered in a joint program with Federated by Irwin Union Bank, Columbus, Ind.

The initial offering ceiling was $14 million, but Federated authorized Irwin Union to oversubscribe the issue by $4 million. The entire $18 million was sold within three hours, according to Ruth Harrison, vice president/marketing at Irwin Union.

Federated assured Irwin Union that another package would be available within two weeks of the initial offering, but, at press time, the amount to be offered had not been announced. Each of Federated's money-market funds is permitted to invest up to 10% of its total portfolio.

The 35 banks were among the first to be solicited by Irwin Union in a plan to place money-market fund assets in small banks in four states — Indiana, Ohio, Kentucky and Michigan. Irwin Union plans to take the program into other states at a later date. The bank serves as coordinating agent for Federated and provides sub-custodial functions for State Street Bank, Boston, which is custodian for the seven Federated funds. By serving in this dual function, Irwin Union assists Federated in both the acquisition and safekeeping of the bank-issued negotiable CDs.

The first offering was made to all banks in Indiana and Ohio, but institutions in Tennessee and Texas participated after their managers learned about the offering from articles in the banking press. The second offering is expected to be made to Kentucky and Michigan banks and another is expected to be made to thrifts.

Jean Harrell, coordinator of the service at Irwin Union, says the bank is investigating other money-market funds to see if the scope of the CD offerings can be increased. Several other funds are interested in working with Irwin Union, she says.

The rate on the first offering was 15.25% and was based on the 90-day secondary-market rate for CDs in New York banks.

Irwin Union made the initial contact with Federated. Larry J. Shepherd, senior vice president in the investment department, saw a newspaper article last summer stating that Federated was interested in recycling funds back into small banks. He contacted Federated to see if Irwin Union could help with the recycling because the bank was interested in such an effort.

Within days after the first mailing went out announcing the program, a 20% response from interested bankers was registered, Mrs. Harrell says. On the strength of this response, six phone lines were designated to handle orders and field questions. Mrs. Harrell services responding banks on a full-time basis.

Numerous phone calls about the service were received prior to the offering date. One of the chief concerns of bankers considering the offering was whether the CDs could be rolled over at their expiration dates so the funds could stay on deposit at participating banks.

Although Irwin Union offered no guarantee of rollover privileges, Mrs. Harrell told bankers that it was quite likely that new offerings would be made to coincide with termination dates so the equivalent of a rollover would take place. "The likelihood of rollover will improve as other funds sign up with Irwin Union to increase the scope of the offerings," she says.

Banks taking part in the first offering ranged in size from $4 million to more than $1 billion. Although some bankers currently have little use for such funds, Mrs. Harrell says, most told Irwin Union that they want to be notified of future offerings. The few banks refusing outright to participate are located in depressed areas and aren't experiencing sufficient loan demand to take part at this time.

High rates aren't scaring any of the small banks, Mrs. Harrell says. The original term for the offering was to be 182 days, she adds, but it was felt that 90-day CDs would be more acceptable to bankers, due to the volatility of interest rates.

Banks taking part in the first offering were required to phone in their orders beginning at noon on February 20. The announced termination time for orders was 5 p.m. on February 23. Any bank calling in after 3 p.m. on February 20 was out of luck! The orders were filled on March 3.

Mr. Shepherd says that, due to the success of the initial offering, he is confident that other money-market mutual funds will be making efforts to recycle funds back into small banks in the future.

Mrs. Harrell says the completion time frames for other offerings may vary and possibly could be shorter. Holidays and days closed must be considered when planning the time frame, she says. The first offering's time frame was somewhat longer than planned, due to Washington's birthday and the

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fact that many Indiana banks close on Wednesdays.

After an issue has been subscribed, Irwin Union calls Federated Funds to place the orders. Cash to fill the orders is transferred by wire in fed funds to Irwin Union and the bank immediately wires the funds out to participating banks. "There's no float involved," Mrs. Harrell says.

Mrs. Harrison says the program is seen as a way of generating fee income for the bank. "Banks are expected to rely more heavily on such income in the future," she says, "due to narrowing interest margins."

Irwin Union receives handling fees from both participating banks and Federated Funds for each CD sold, according to John Nash, chairman, Irwin Union. The fees cover the modest cost of handling the transfer of funds and all paperwork. He says Federated prefers to work through an agent bank because the agent is closer to the market area covered by the offering. Such an arrangement reduces the administrative costs of Federated, he says.

"We now have proof that community and regional banks like this source of money and, if they can use these funds at the market rates that are required, they will find the service attractive on a continuing basis," Mr. Nash says. "We're confident there will be sufficient volume to enable Irwin Union to make a profit on the service," he adds.

Mr. Nash hesitates to project the volume of the service. "It's really so unknown," he says, since there's little precedent to go on. "We're not certain how many banks will be interested. The degree of interest will vary according to their need for funds; which, in many areas, will revolve around current loan demand. Banks may be interested in these CDs at one time of the year and not at other times."

Mr. Nash says the contact Irwin Union is establishing with banks involved in the CD offering is expected to have some rub-off value, since Irwin Union is looking for other investment-related products to sell to banks.

Irwin Union's offering is the first to be made since Independent State Bank, Minneapolis, began making such offerings last summer.

The $100,000 size of each CD was dictated by two important features: It's the maximum covered by FDIC insurance and the minimum not limited by Reg Q rate ceilings. ● ●

Rehab Project Begun

Officials mark construction start of $31-million Section 8 Beacon Heights rehabilitation housing project in South Bend, Ind., financing for which was arranged by SJV Mortgage Corp., Elkhart, HC controlling St. Joseph Valley Bank. From l.: H. Eugene Conard, pres., SJV Mortgage Corp.; Dan Bowman, deputy dir., housing development, HUD; and Gerald Gulling, v.p., representing Gibbons-Grable Co., Canton, Ohio, builders. Project will rehabilitate existing 150-unit family housing complex and build two 12-unit buildings by spring, 1982.

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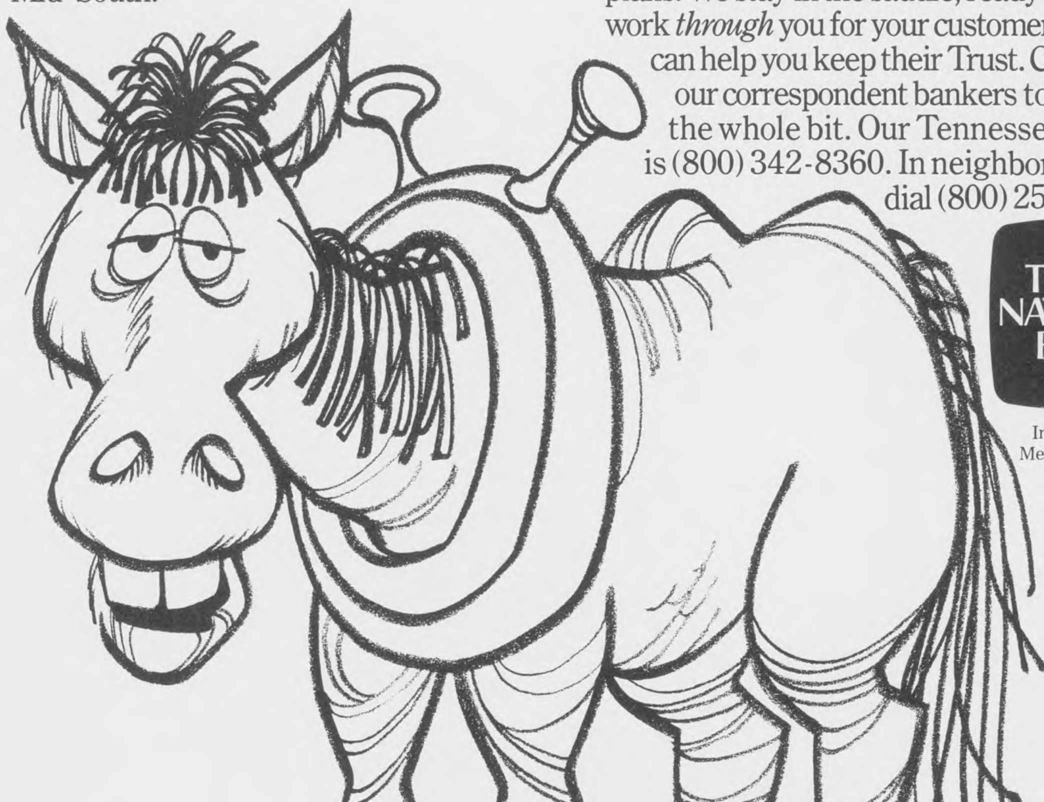

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New Chairmen Of Banking Committees

What Will They Mean for Banking?

WHAT'S in store for the banking industry during the 97th Congress? Changes in the House and Senate Banking committees are of interest to bankers and banking-industry representatives who are watching for the first harbingers of trends in the '80s.

In the Senate. New Senate Banking, Housing and Urban Affairs Committee Chairman Edwin "Jake" Garn, Utah Republican, replaces William Proxmire, Wisconsin Democrat, in the No. 1 slot in the aftermath of last fall's Republican sweep at the polls. Senator Garn, ex-mayor of Salt Lake City, won his recent reelection campaign by the largest margin of any office-holder in the state's history.

An emphasis on oversight (monitoring and revising laws already on the books) appears to be the emerging theme of Senator Garn's chairmanship. He expressed this commitment on a television-interview show: "I have served on the Senate Banking Committee my entire six years in the Senate. During that time, the committee certainly has been an activist committee, piling legislation on legislation without, in my opinion, doing a good enough job of oversight. I think we have to go back and look at legislation and see where it's working and where it's not, rather than continuing to pass new pieces of legislation."

One piece of legislation in need of oversight, the Utah senator emphasizes, is the Truth-in-Lending Law. The law, he says, "needs drastic simplification to accomplish its original intent of clearly informing consumers of finance charges." He also has called for simplification of rules of the Department of Housing and Urban Development.

Senator Garn says he supports a diversified financial industry and does not want the character of banks and S&Ls to change so much that they become identical in services offered to the public.

He also has said he believes the Depository Institutions Deregulation Committee (DIDC) is moving too fast in its mission to phase out Regulation Q. Senator Garn would prefer a gradual approach and has said he will press for legislation that would be more specific about how fast the DIDC should move.

Another key man on the Senate Banking Committee is John Tower of Texas, the ranking Republican member. He heads the Financial Institutions Subcommittee, which of all Senate Banking subcommittees most directly affects commercial banks. Senator Tower is a 20-year Senate veteran.

SENATOR JAKE GARN

... heads Senate Banking Committee

REP. FERNAND ST GERMAIN

... heads House Banking Committee

New to the Senate Banking Committee is Democrat Alan Dixon, the Illinois lawyer who was elected to the seat vacated when Adlai Stevenson III retired. Senator Dixon held a number of state offices, including Secretary of the Treasury, for more than 30 years before his election to the U. S. Senate. He was known for applying standards of employee efficiency and accountability to state government, an approach popular with voters in his home state.

New to the committee, but not new to the Senate, is Republican Harrison Schmitt of New Mexico, who was elected in 1976. Senator Schmitt is chairman of the Rural Housing and Development Subcommittee. He entered the political arena after a decade as a scientist and astronaut at the National Aeronautics and Space Administration (NASA). He first gained national prominence as the Apollo 17 Lunar Module pilot in 1972.

Another change within the Senate Committee is Richard Lugar's move to chairmanship of the Housing and Urban Affairs Committee. The Republican ex-mayor of Indianapolis has served on the Banking Committee since he was elected in 1976. He had been treasurer of a banking equipment company and also held a similar position in a family-owned company before his election to the Senate.

In the House. Although the Democrats retained majority control in the House after the election, there were significant changes on the House side that are prompting discussion in the banking industry.

As the new chairman of the House Banking, Finance and Urban Affairs Committee, Rhode Island Democrat Fernand St Germain replaces Henry Reuss, Wisconsin Democrat, who remains on the committee and will, no doubt, continue to play an extremely important role. Representative Reuss relinquished the chairmanship so he could head the prestigious Joint Eco-

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This article was prepared especially for MID-CONTINENT BANKER *by Sherry Wackowski, director/editorial services, American Bankers Assn., Washington, D. C.*

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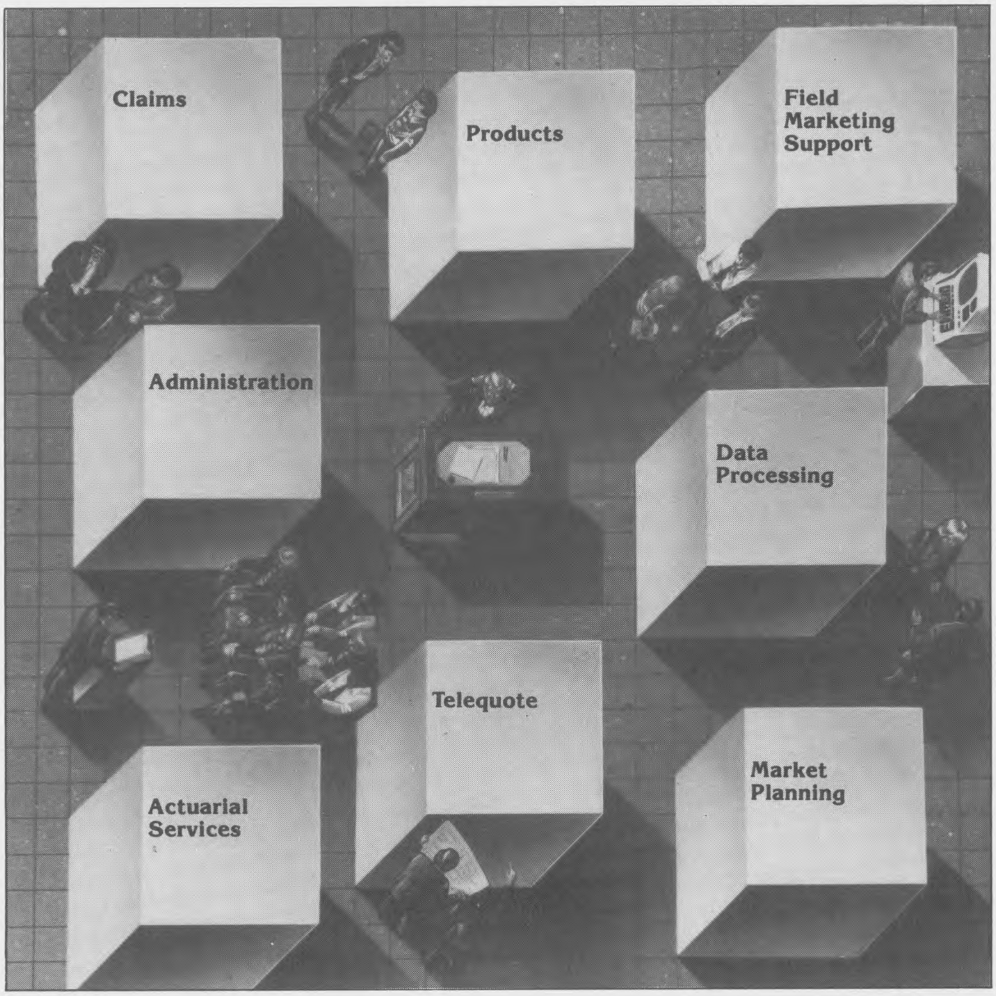

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Representing

Alexander Hamilton Life Insurance Company of America nomic Committee. The JEC does not initiate legislation, but serves in an advisory capacity to committees in both houses that have responsibility for major economic issues.

The 52-year-old Representative St Germain has two decades of experience in the House. His prominence on the committee even before his chairmanship made him a figure familiar to the banking community. He is known as a skilled negotiator and also has earned a reputation among his colleagues as an expert in use of parliamentary procedure in achieving legislative goals. Representative St Germain has retained his chairmanship of the Financial Institutions Subcommittee.

Productivity of the House Banking Committee will depend on cooperation between Democrats and Republicans, as it has in the past. J. William Stanton of Ohio, ranking Republican on the committee, with 17 years in the House, also is known for his political astuteness and has demonstrated a talent for diplomacy in dealing with the opposing party.

New to the House Committee is Democrat William Patman of Texas, son of the longtime chairman of the committee, the late Wright Patman. The elder Representative Patman was first elected in 1928 and served in the House for nearly 50 years. His populist approach to politics was legendary in his solidly Democrat district.

The younger Mr. Patman goes to the House after 20 years as a Texas state senator, a post in which he showed he had inherited his father's populist legacy.

Another Texan on the House Committee, Democrat Henry Gonzalez of San Antonio, makes a change this year from chairman of the International Development and Institutions Subcommittee to chairman of the Housing and Community Development Subcommittee.

Frank Annunzio, Illinois Democrat, retains his chairmanship of the Consumer Affairs Subcommittee. He entered the House in 1964 and has drafted much of the consumer-protection legislation coming out of the Banking Committee.

A major change in the House Banking Committee was signaled by the electoral loss of Thomas "Lud" Ashley, the 13-term Democratic congressman from Ohio, who had been chairman of the Housing Subcommittee. Ed Weber is the new Republican congressman on the Banking Committee from the same Ohio district.

Clearly, the focal point for Capitol Hill observers is the chemistry that will develop between the two houses now that each is controlled by a different party. The Senate and the House had been controlled by the same party since 1952, when both houses were Republican. Two years later, the Democrats gained control of both houses and retained it until last fall's election.

The new Republican Senate, no doubt, will do its best to accommodate President Ronald Reagan. Even though Democratic control of the House continues, Democrats there are expected to be reluctant to frustrate the Republican Administration. They will be responding to the unmistakable change in mood expressed by the voters last fall. The key word for Democrats will be compromise.

At this point, both houses are still in an adjustment period. Alliances are being established, and lines of communication are being built — necessary elements for effective functioning of the legislative branch. This phase is essential in facilitating the smooth operation of Congress and will help pave the way for meeting the challenges that lie ahead.

Important though they are to bankers, banking issues are not among the immediate concerns of the new Congress. Broader economic issues are of primary concern now as Congress prepares to work with the President in nailing down specifics of the new programs that will attack the problem uppermost in the minds of most Americans — inflation.

Even though bold changes in banking laws are not a top priority for the new Congress, banks and other businesses can expect to benefit from the attention Congress gives to broad economic issues.

The ABA will continue to urge Congress to reduce federal spending, a policy that the Task Force on Inflation recommended last October.

Another of the ABA's top priorities, and one which will help stimulate economic growth, is reduction of the burden of federal regulations, particularly on small businesses. The ABA is urging the Reagan Administration to enforce vigorously the 1980 Regulatory Flexibility Act, which requires federal agencies to fit their regulatory and information-gathering requirements to the scale of the businesses they regulate. In a letter to President Reagan, ABA President Lee Gunderson pointed out that the vast majority of America's banks are, in fact, small businesses, and that compliance with regulations has a disproportionate impact on them. Mr. Gunderson is president, Bank of Osceola, Wis.

In addition to supporting congressional action in the general areas of spending reduction and regulatory reform, the ABA has an ambitious agenda of specific legislation it will present to Congress. The ABA will be urging Congress to pass a federal override of unrealistically low state usury ceilings, particularly in the area of consumer credit. Another of the ABA's top priority items is reform of the Glass-Steagall Act, in order to allow banks to underwrite municipal revenue bonds and to authorize banks to offer commingled agency accounts to their customers. Both of these reforms would be in keeping with the trend toward deregulation of the financial industry that began last year with passage of the Omnibus Banking Law. • •

Community Bankers Petition Volcker

FED CHAIRMAN Paul A. Volcker has been asked to support the effort of the ABA's community bankers division to have banks with 200 or fewer employees come under provisions of the 1980 Regulatory Flexibility Act. The act contains a mandate for federal agencies to scale down regulatory and reporting requirements to treat small businesses and organizations more equitably.

The request was made by L. J. Hebert Jr., president, Lafourche National, Thibodaux, La., and chairman, ABA community bankers division.

"We community bankers know how the regulatory environment has enveloped us in our daily actions," Mr. Hebert wrote to Mr. Volcker. "It is a disincentive to ambition — a cost to business that raises the rate of inflation. We manage to conform, but this forces us to use additional personnel and time, which ultimately increases the cost of services to our customers."

Mr. Hebert said the community bankers division is in the process of identifying those regulations that can be changed to reduce compliance costs while still serving the public need.

In Sex-Bias Case:

Federal Debarment Recommended For Harris Trust of Chicago

THE LATEST development in the sex-bias case involving Chicago's Harris Trust came late in January. At that time, a U. S. Labor Department administrative law judge (ALJ) recommended to the Secretary of Labor that the bank pay $12.1 million in back pay to women and minorities because of its allegedly discriminatory hiring, pay and promotion practices.

The judge, Rhea M. Burrow, also recommended that the bank be stripped of its federal contracts, which include issuing and paying U. S. savings bonds, holding Treasury tax-and-loan funds and handling other federal contracts. This does *not* mean, however, loss of FDIC coverage, as the bank pointed out in a bulletin issued February 6 to its employees.

However, as the bank said in the bulletin and as pointed out in an earlier press conference conducted by Executive Vice President John L. Stephens, head of public and employee relations, the issue of whether or when anybody will receive back pay is undecided. The case still is not resolved. The recommended decision of the ALJ, stemming from formal hearings held in August/September, 1979, is just that — a recommendation to the Labor Secretary, not a final decision, said the bulletin and Mr. Stephens.

In ruling against the bank, Judge Burrow upheld 1977 Labor Department findings that Harris Bank had discriminated unlawfully against 1,300 women and minority employees from 1974-77.

Mr. Stephens pointed out to reporters that the government released information on the ALJ's recommendation "to an outside women's group" early the morning of January 30, but as Mr. Stephens put it, "Again, the government has not allowed us the courtesy of seeing its opinion before releasing it." As of the time of the press conference the afternoon of January 30, the bank had not seen the document and did not expect to have it for some hours!

The bank now is entitled to file its exceptions to the ALJ's recommendation with the Labor Secretary, and, continued the employee bulletin, it has every intention of doing so. By the way, the Secretary of Labor when the case began and up until early this year, was F. Ray Marshall. Now, he's President Ronald Reagan's appointee, Ray Donovan.

The Secretary of Labor has three choices, says Harris Trust: He can accept, reject or alter the ALJ's recommendation. There's no time limit involved here; he can take as long as necessary to make a decision.

Because it was the Labor Department that brought the discrimination charges against Harris Trust, the bank is not surprised at the outcome of the latest hearing. The administrative law judge and opposing attorneys are Labor Department employees.

Next, after the secretary makes his decision, the bank said, either Harris Trust or the government, or both, can appeal to a federal court for a review of the secretary's decision.

The bulletin then emphasized that this is not a regular court proceeding. The bank has been through a *hearing* presided over by an ALJ appointed by the Labor Department.

Because it was that department that brought the discrimination charges against Harris Trust, the bulletin said the bank was not surprised at the outcome of the latest hearing. The ALJ and opposing attorneys are Labor Department employees.

"While we're on the subject," said the bulletin, "it may be worthwhile to note that our dispute with the government stems from a routine compliance review. As noted in a pre-hearing statement made by Wolf Haber, assistant general counsel with the Treasury Department, 'We are not here prosecuting a complaint . . . we are performing our own function, our function being to monitor the contract compliance of a particular bank . . . we are not responsive to complaints.'"

The bulletin referred to certain statistical reports it has refused to turn over to the government. Those reports, it said, are incomplete statistical studies of its personnel records the bank's lawyers consider privileged and irrelevant to these administrative proceedings. Reports such as these, it continued, which were prepared in anticipation of another legal action are protected under the work-product doctrine. The government recognized this principle, according to the bulletin, when it refused to give Harris Trust selected documents. In addition, the bulletin pointed to a recent affirmation of the U. S. Supreme Court that this principle of privilege applied in a case involving a major pharmaceutical firm.

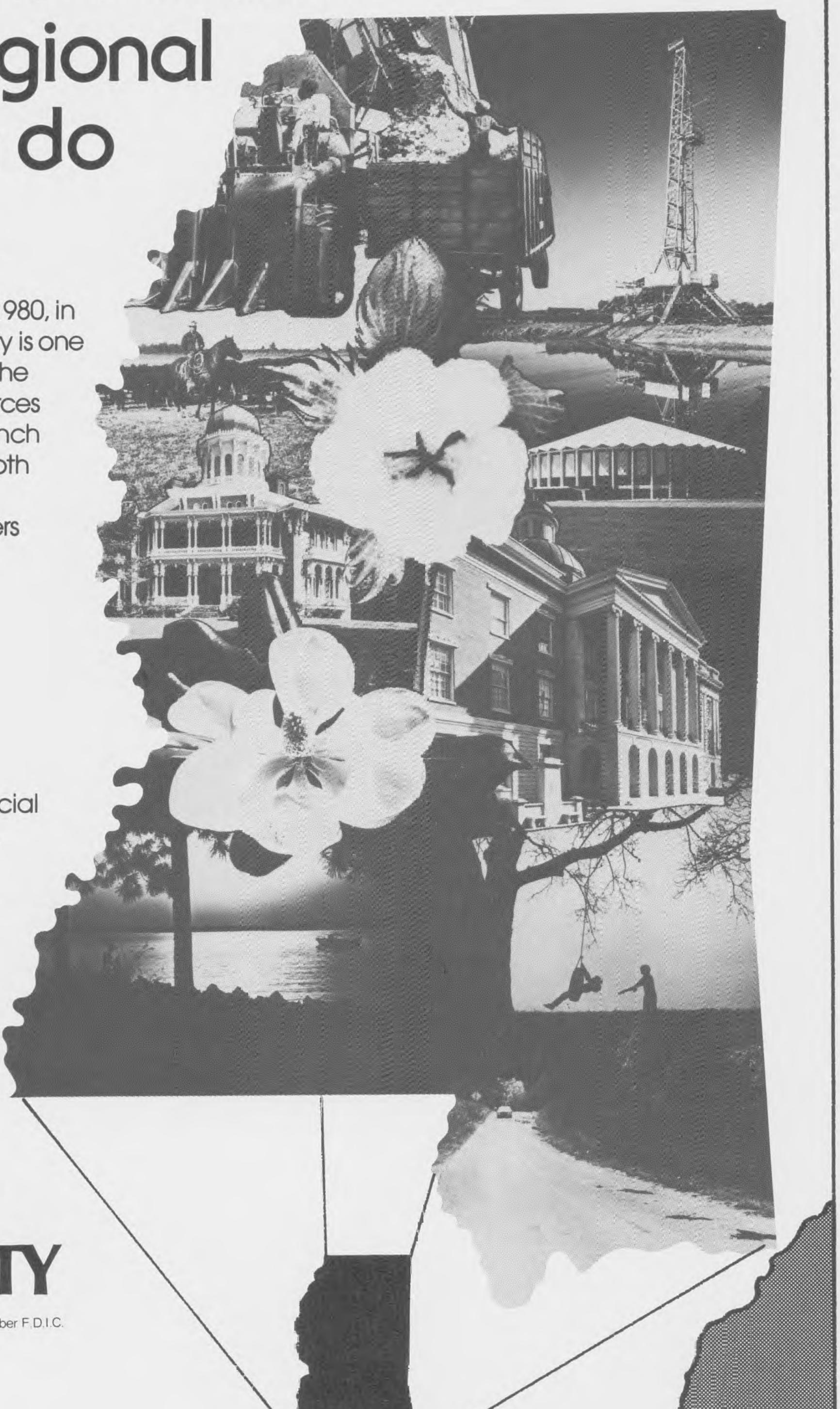
The bulletin then noted that the bank turned over to the government all its personnel data tapes and, in so doing, provided the government with every piece of information used to prepare the contested studies.

In addition, the ALJ recommended "special training programs, promotional opportunities and back pay" to women and minority-job applicants and employees. The $12.1-million figure recommended was reached by Dr. Stephan Michelson, a statistician hired by the government. According to the Harris bulletin, Dr. Michelson claims this is the pay "deficit" experienced by alleged "affected classes" of employees during the years 1974-77. An "affected class" is defined as those employees continuing to suffer the effects of past discrimination.

The bulletin then said that, interestingly, Dr. Michelson — in sworn testimony — had said, "I can't prove discrimination by a statistical conclusion."

Why is Harris Trust fighting this case so vigorously? Here's what its bulletin told its employees: "Our commitment to equal-opportunity employment is unequivocal; we believe the bank does not discriminate and the government has not proved otherwise. When Dr. Harry V. Roberts of the

For Specialized Banking Services in the Mid-South Area . . . call on the Regional Bank that can do more for you.



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University of Chicago was commissioned to do a statistical analysis of our personnel data, Stanley G. Harris Jr. (retired chairman) and Charles M. Bliss (chairman/CEO) made it clear that he must maintain his professional integrity — there would be no foregone conclusions; he should conduct his studies independently and impartially and let the chips fall where they may. Dr. Roberts would work on the project only with this understanding. Results of his analysis refute the government's charges." ● ●

Productivity Program

(Continued from page 25)

their productivity equation, to appreciate the importance of increasing productivity, to relate productivity to quality of work life and develop an action plan to enhance their productivity.

The HC's Productivity Newsletter is dedicated to reporting productivity improvements in all areas of operations. It includes a "productivity thought of the month," illustrations of productivity enhancement realized by units of the firm, challenges that demand productivity gains and items that encourage employees to work smarter.

The HC's employee publication, "Banknotes," highlights productivity-related news and policy statements along with other news of interest to employees. Manager profiles stress productivity enhancement at HC affiliate banks and pass on ideas that have resulted in increased productivity.

The program's results can be measured. Miss Moore states that total savings in non-interest expense last year in operating and personnel costs came to approximately $1.5 million. Central Bank, Montgomery, has two tellers who posted perfect balance records last year. Of the bank's total of 47 tellers, 41 ended the year with less than $100 in net over and short.

Commenting on the effect of productivity concepts as they relate to the HC, President Terry Brannon says it means "we will all be working smarter and that we will have an understanding of what productivity means to us individually and to our company.

"Productivity is particularly important to us today since changes in banking and the economy are becoming more rapid than ever before. Our business is moving so fast that what was applicable last week doesn't apply this week.

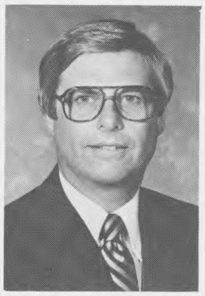
"Productivity means many different things to our people. Increasing sales can be marketing productivity. Productivity may be two . . . people handling the same number of accounts that three people used to handle. Having enough business from our customers to stay busy all day, every day, is certainly productivity."

The HC's philosophy of productivity can be summed up in these words from Dan Mullis, senior vice president/director, personnel division: "Effectiveness, efficiency, economy, standards and measures and quality of work life. They all are interrelated and none can be successfully separated from the others." ● ●

'Changing World' Is Theme Of RMA Chapter Meeting

TOPEKA — "Men and Women in a Changing World" will be the theme of the 1981 spring conference of the Missouri Valley Chapter of Robert Morris Associates April 23-25 at the Ramada Inn Downtown here. Lanny Kimbrough, president, Highland Park Bank, Topeka, is general conference chairman.

The program will be presented by senior staff members from the Center for Applied Behavioral Sciences, Menninger Foundation, Topeka. They will include Roy W. Menninger, M. D., the foundation's president.



KIMBROUGH

MENNINGER

Topics to be presented will include: "Change in a Changing World," "Men and Women in a Changing World," "Your Responsibility for and to Change," "Men and Women in a Changing Self" and "Communication and a Changing World." Discussion groups will be formed following each lecture.

Missouri Valley Chapter officers are: president, Robert P. Priest, senior vice president, Merchants National, Topeka; first vice president, Robert A. Morris, senior vice president, Overland National, Grand Island, Neb.; second vice president, Bradley L. Burt, assistant vice president, Bankers Trust, Des Moines, Ia., and secretary/treasurer, Hal Dumler, assistant vice president, First National, Topeka.

Bank Phone Network Attracts Vendors

SIXTEEN vendors have responded to an ABA request for information offering proposals for a nationwide shared telephone system for bank-to-bank calling.

Ten of the vendors were invited to make presentations before members of the ABA's bank network task force, a panel of bankers chaired by Jean Blodgett, vice president, Valley National, Phoenix.

"One of our chief concerns as we continue to evaluate these proposals is the amount of flexibility for integrating new data communications technology into the system," Miss Blodgett said. "While we are concentrating on voice communication because of the immediate economic benefits, we need an arrangement that would allow ease of movement into voice and data systems." She added that the systems must offer flexibility to meet regulatory requirements that may develop.

It's expected that three years will be needed to implement a system with initial experimentation starting on a regional basis.

The concept of a shared phone system for banks emerged in 1978 when ABA studies determined that banks would spend $800 million nationwide on telecommunications equipment and service in that year. About 40% of banks' long-distance service involves bank-to-bank telephoning, indicating that between $51 million to $102 million would be spent annually by banks to call one another.

A study by American Telephone & Telegraph Co. found that maximum annual savings of about $22 million could be realized if from 1,200 to 2,300 banks participated in a concentrator network.

"We're optimistic that by June, the task force will have positive recommendations," Miss Blodgett said.

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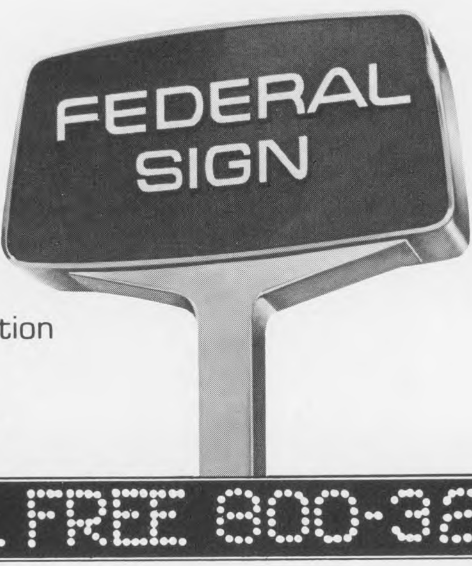

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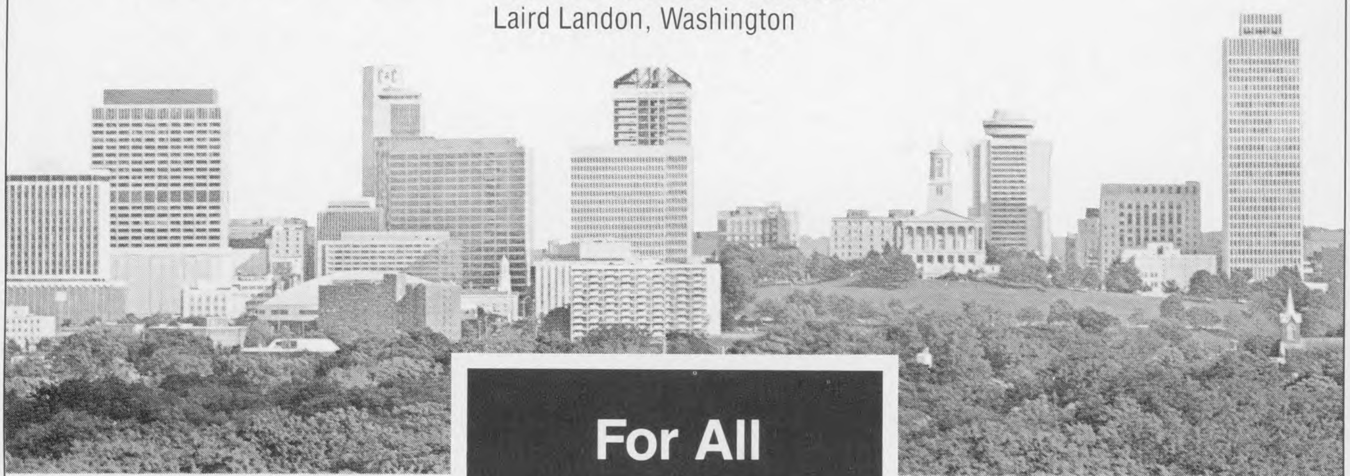
Further, you will be able, with confidence, to project future marketing policies. This will be possible because FISI will make available the findings of a comprehensive national research effort encompassing FISI client and non-client banks, credit unions, and savings and loan associations. This massive research project, called "The First 100 Days...and From NOW On," will offer marketing insight from thousands of shared experiences. The marketing analysis and projections will include the role of EFT products–from banks of all sizes–in the Eighties.

The FISI National Marketing Conference and Convention will be held in Nashville's new Radisson Hotel in the heart of what is known as "The Wall Street of the South," Nashville's dynamic and aggressive financial district. Within one block of the Radisson are no less than ten financial institutions–large bank holding companies, independent banks, and thrift institutions.

The emphasis on marketing and training includes inviting the best experts in the industry to participate. Special guest participants include BMA President Ron Hale, University of Houston Professor of Economics Laird Landon, Washington banking consultant Alex Neale, bank training and education specialists Bob Heckman and Bob Moustakis, and others to be announced in the near future.

Early arrivals to the April conference will have the opportunity to attend the world famous Grand Ole Opry and Opryland. All attending bankers will be invited to a special welcoming reception at FISI's new, expansive national headquarters on Nashville's famed Music Row. And throughout the convention the special flair of "Music City, USA" will be captured through live music–you'll hear country, bluegrass, dixieland, and big band music and be entertained by a nationally-known nightclub act.



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Bills Filed in Tenn. Legislature To Thwart HC Expansion in State

LEGISLATION has been introduced in the Tennessee General Assembly to make permanent the present temporary prohibition of de novo acquisitions of banks by HCs in all but four metropolitan counties.

Senate bill 505 and House bill 445 call for deleting the January 1, 1982, termination date of the temporary ban so that HCs will be permitted to make de novo acquisitions only in Knox, Hamilton, Davidson and Shelby counties.

"The only thing we're asking," Robert C. Seaver, a member of the board, Independent Bankers of Tennessee, told MID-CONTINENT BANKER, "is that de novo acquisitions, which now are temporarily prohibited in the state's rural counties, be prohibited permanently in those counties." The legislation doesn't prohibit HCs from making acquisitions in the four metropolitan counties, he says, something they've been able to do since 1974. "We're asking that HCs be allowed to make only negotiated-purchase acquisitions of banks in all other counties; and we're opposing any change in county-wide branching laws."

He said the independents are planning an advertising promotion in the media to call the public's attention to their viewpoint and to emphasize the "role and value of independent community banks." Mr. Seaver is chairman/president, Bank of Mt. Juliet.

A seminar on independent banking was sponsored by United American Bank, Nashville, in January to present the independent bankers' viewpoint to an audience of bank officers, directors and stockholders from Kentucky, Alabama and Tennessee institutions.

At the seminar, the position of community banks was summarized by Charles W. Bone, general counsel for the Independent Bankers of Tennessee, "They provide better services at the lowest cost and are under the local control that is so important to our customers, stockholders and communities."

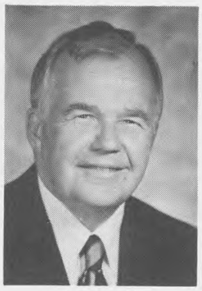
Among the speakers was Charles O. Maddox Jr., a past president of the Independent Bankers Association of America, and chairman/president, Peoples Bank, Winder, Ga. He cited the cost of borrowing to small businesses and consumers, using his own bank as an example: "Big banks everywhere have made loans at rates as high as 20% interest and more during recent weeks as the cost of funds nationally skyrocketed," he said. "I've been lending money in my small bank at below-prime because I want those funds to be reinvested in my community."

Citing the fact that community banks are able to make loans at below market rates, Mr. Seaver said, "This occurs because most community banks don't rely as heavily as do most HC banks on large-denomination and high-cost CDs.

"The expenses of large HC banks tend to be much higher in terms of overall salaries and other overhead expenses, which forces them to charge generally higher prices for their services, including loans," he said. ● ●

Louisiana Bankers Convention To Have Mystery Theme

BISHOP



McCOY

MAXWELL

A MYSTERY theme, a country fair and a tall ships motif will be featured at this year's Louisiana Bankers Association convention, set for March 27-31 at the New Orleans Hilton.

"Send One Out!" is the mystery theme for the annual meeting. Its significance will be revealed at the convention, according to an LBA staffer.

The old-fashioned country fair is set for the opening reception. A carnival atmosphere, Cajun music and "a potpourri of taste sensations" are promised. "Sails in the Sunset" is the title of the convention's dinner dance and a cocktail reception with the title "America Sings Out" promises to feature "old favorite" music and a "bountiful" buffet.

The convention's business sessions will feature Crawford A. Bishop, LBA president; Bob Richards, Olympic gold medalist and inspirational speaker; Douglas Kiker, NBC News national political correspondent; James V. Baker, bank consultant, and William F. Ford, president, Atlanta Fed.

The exhibit section is titled the "Mississippi Harborside Exhibit Hall." It will feature displays of banking equipment and services and will be the site of games and prizes.

A "Ports of Call Activity Center" will present special events for bankers and their spouses during the convention period.

The convention schedule in brief:

Friday, March 27 — Registration from noon to 8:30 p.m.; grand opening of the exhibit center from 4:30 to 6:30 p.m.; country fair reception at 7 p.m.

Saturday, March 28 — Registration all day; opening general session at 11 a.m.; exhibit center open at 1 p.m.; and an ice cream social from 2 to 4 p.m.

Sunday, March 29 — Exhibit hall and activities center will open at 11 a.m., and the America Sings Out reception will begin at 6 p.m.

Monday, March 30 — School of Banking of the South breakfast at 7:30 a.m.; women's bingo party from 9:30 to 11:30 a.m.; exhibit hall open from 11:30 a.m. to 12:30 p.m. — drawings will be held; president's luncheon at 12:30 p.m.; second general business session at 2:30 p.m., and reception and dinner dance at 6:30 p.m.

Presiding at this year's convention will be Crawford A. Bishop, LBA president, and president, Bank of Gonzales. President-elect is Charles W. McCoy, chairman, Louisiana National, Baton Rouge, and treasurer is John E. Maxwell, president, Ruston State.

Mr. Bishop joined his bank in 1958 and was elected cashier in 1960. He has served as president since 1971.

Mr. McCoy entered banking in 1939 at Utica (O.) Savings Bank. He moved to City National, Columbus, O., in 1944. In 1959, he joined his present bank as senior vice president, became president in 1962, president/chairman in 1966 and chairman/CEO in 1979.

Mr. Maxwell entered banking in 1966 at Ruston State, became executive vice president in 1976 and president in 1977. ● ●

Productivity Education And Training Are Topics Of ABA Forum March 8-11

Productivity has become one of the "hot topics" in banking — in articles in publications such as MID-CONTINENT BANKER, in discussions among bankers and at meetings and seminars. For instance, as this issue of MCB was being mailed, the ABA was holding its 1981 bankers education and training forum (March 8-11) at the Galleria Plaza Hotel in Houston. The subject? How productivity in banker education and

The ABA — realizing productivity is a prime problem for bankers — last year created the office of productivity/technology in its banking professions group. Gerard F. Milano is the office's director.

Its specific mission is to coordinate bankers' efforts to identify areas for productivity improvement within the banking community and new technologies that may be developed and spread; for instance, use of automated clearinghouses, check safekeeping and telephone bill paying.

Mr. Milano, who continues administrative management of the ABA's check-safekeeping task force, joined the ABA in 1977 as assistant director/operations and automation division. After assuming responsibility for the check-safekeeping task force, he was promoted to associate director early in 1979. Before going to the ABA, Mr. Milano spent 10 years with Chicago's First National, where he was responsible for projects in the personal banking department, including on-line teller systems, advanced micrographic systems and ATM programs. He also was responsible for several customer-service and operations-management assignments.

training efforts can help lead to increased bank productivity.

As one of the forum's speakers, Don L. Woodland, dean, College of Business Administration, Louisiana State University, Baton Rouge, told this publication, "The preeminent position the United States has long occupied in the international economy is being questioned from various quarters. The ability of American capital and labor to compete successfully with their foreign counterparts is being seriously challenged in many areas. This challenge has serious implications for the structure of the American economy.

"The banking community is not unaffected by a decline in productivity. While the industry certainly is a leader in sponsorship of educational programs for its personnel, top executives have voiced concern that the banking potential, in terms of growth and profitability, is affected adversely by inadequately trained personnel. The ABA-sponsored forum is designed to focus attention on problems of productivity by bringing together educators, bank trainers and senior bank officers to discuss areas of mutual concern. A primary objective of the seminar will be to inform users of bank educational programs of the variety and depth of programs available in various markets."

The forum is attempting to answer questions such as:

1. Is money spent on banker education justified?
2. Do these programs achieve results? Are they productivity oriented?
3. Are training programs responsive to needs of all bankers, including women and minorities?
4. Does participating in education and training programs really help bankers attain career objectives?

One of the star attractions at the forum is a description of the "quality-circles" approach to productivity improvement, held largely responsible for Japan's phenomenal productivity increase in recent years. This is a concept of employee participation and involvement to solve problems and improve quality and productivity.

In addition to productivity, the forum also offers participants an opportunity to learn more about bank employees' changing attitudes.

General and special-interest sessions are complemented with peer-group discussions throughout the 2½-day meeting so that different groups can share mutual concerns and ideas.

Mortgage Instruments

(Continued from page 8)

cash flow when compared with that of conventional mortgages.

Another innovative type of mortgage is called a price level adjusted mortgage (PLAM). It calls for the loan balance to be indexed. The interest rate theoretically would be an equivalent of a constant amount versus, say, a current amount. That is, the real interest rate would be netted or discounted by any inflationary or deflationary premiums or discounts in each period, which might be a year or two or even six months. An adjustment of the interest rate would match any changes in the interest-level index.

Both the Comptroller of the Currency and the Federal Home Loan Bank Board have proposed regulations to make adjustable-rate mortgages legal for institutions under their regulation. Both regulators are opposed by urban community groups that want congressional hearings on the proposals. The Consumers Union has called on the regulators to invoke a stay until sufficient information is available to show that the new mortgages won't result in massive foreclosures. The Consumers Union assumes the foreclosures would be made at the home owner's expense. Those who look at it from another viewpoint see that lenders also may find themselves in embarrassing situations should foreclosure occur. So far, those testifying at the hearings disagree with one another on almost every facet of the proposal.

Partly related to this is the introduction of legislation such as HR 8421, which would temporarily preempt state usury ceilings on consumer credit and replace them with a federal ceiling. The preemption would be limited to three years.

It's assumed that a somewhat similar proposal would be applicable to real-estate mortgage loans based on the same type of preemption concept. A number of possible compromises have been offered, such as a variable-rate mortgage, but one whose monthly dollar payments would not change over the loan's life. It is the practice at Wachovia Bank, Winston-Salem, N. C., to adjust the interest rate every 90 days to harmonize it with market conditions and, if rates are up, a longer term is called for.

One of the more esoteric proposals made by the Washington Public Interest Group would create separate mortgage policies according to the income status of applicants. Thus, if in the wisdom of WPIG an applicant could afford a variable-rate loan, he would qualify; and, contrary to the philosophy of most mortgage lenders, if the applicant didn't qualify for that type of mortgage, he would be offered a fixed-rate loan. The kicker is that the government would subsidize the difference.

As one hears about the various proposals, the assumption arises that inflation will not be brought under control. This assumption should be challenged. Already there appears to be strong sentiment in Congress to radically reduce the tax-exemption feature of revenue-bond issues for housing and nonindustrial situations such as fast-food franchises.

Apple pie, the American flag, motherhood and housing are among the political untouchables of society. At the substantial risk of being misunderstood, I question whether, in our desire to help the little man become a home owner, we may have gone too far. To the extent we have diverted productive funds out of produced instruments of capital production and diverted them into housing, we have the cause for at least part of the dilemma of declining productivity. A review of census data of the '20s and '30s shows that a strikingly high proportion of the population wasn't able to own homes. Have we built up a false expectation on the part of many poor people about the prospects of becoming home owners?

It's not politically popular to raise such a question, but the market has a unique way of indicating how well-intended regulations such as the Community Reinvestment Act can have adverse costs-to-benefits. Added refinements tend only to compound the problem. ● ●

Economic Reform

(Continued from page 15)

connection, the ABA is urging immediate and forceful implementation of the 1980 Regulatory Flexibility Act, which requires federal agencies to fit their regulatory and information requirements to the scale of the businesses and organizations they regulate. The nation's 12,000 community banks fit the definition of small businesses, and the ABA is arguing that under this act community banks should be granted less-burdensome treatment.

In a letter to President Reagan on the eve of his inauguration, ABA President Lee E. Gunderson asked for accelerated implementation of the Regulatory Flexibility Act. Mr. Gunderson said regulatory analysis and reduction "should be stressed, not as a ritual to be played for ceremony, but as an assurance that government will limit the burdens it imposes — not only for the rules proposed from now on, but for every regulation on the books."

Mr. Gunderson also urged the Reagan Administration to make an immediate change in the tone and tenor of government, not only in the regulatory process but also in its legislative recommendations to the Congress. The new Administration could, for example, "advocate common-sense alternatives to proposals that might otherwise inflict burden and hardship on those who have to comply (with regulations)."

Government agencies "should promote the use of pilot and demonstration programs to determine if a planned approach to an objective is consonant with the public benefit desired. They should urge the deferral of effective dates to provide the time to review the costs and benefits of proposed regulations and to permit those who have to work under them ample opportunity to review and adjust operations to conform. They should constantly search for the means to accomplish this end with a minimum disruption to the private sector," Mr. Gunderson said. ● ●

Bank Buys Yarn Tapestry

This unusual abstract wall hanging made of woven feathers, suede, yarn, rope and other materials has been purchased by First National of Arizona and hung in its tower financial center in Phoenix. Bank has helped support local artists for more than 20 years by commissioning and buying their works for permanent display at branch offices thoughout Arizona.

Reducing Bank-Employee Turnover

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

UNHAPPY or discontented bank employees will stay on the job for years; yet a satisfied employee may depart without notice for reasons of the person's own.

You can't stop turnover, but you can cut down the quit-rate. A big factor in reducing employee turnover is related directly to employer attitude.

Some bankers do not even give the subject of excessive turnover a thought until necessary employees are gone and the banker discovers the departures are disrupting efficiency and costing money.

One big factor in reducing staff turnover is employer attitude. From the start . . . tell your employee the truth about the job, just what is expected.

If kept within bounds, your turnover rate does not necessarily equate with a low performance rate. Injecting fresh blood into the bank may even lead to a higher overall performance rate.

A static situation is not good. It is up to you to decide whether your longtime employee is good or bad for bank efficiency. One bank kept a teller for years because he had a large family and a vice president felt sorry for him. The vice president should have felt sorry for the bank that fed him. The teller worried over his large family and was a chronic unpleasant grouch who drove customers away to competitive banks.

Certainly a 20% yearly turnover rate is unhealthy. On the other hand, a 10% turnover for run-of-the-mill employees may be good.

One big factor in reducing staff turnover is employer attitude. From the start, it is important to tell your employee the truth about the job, just what is expected.

Describe both the good and bad points and you'll help cut down employee turnover because the employee will realize from the start what he is getting into.

Besides lowered efficiency, there are extra expenses in excessive employee turnover to consider:

- Cost of hire, newspaper ads, expensive hours for replacement interviews, expense of setting up personnel files, changing tax, insurance and records required by governmental agencies.
- Cost of training new employees, customer dissatisfaction when the new employee fails to perform like his predecessor, spoilage by new employees.
- Employee turnover sometimes affects other employees who must work harder inefficiently or work longer hours unproductively.
- You always should consider whether you must fill the vacancy. You do not need to replace every departed employee. Can you reassign or realign jobs and thus make do with employees who are left?
- Terminations often increase state unemployment insurance expense so that turnover becomes a source of increased taxes.

Improper Selection/Placement. Your quit-rate can be decreased if you check out your job applicant by weighing business necessity, not impulse hiring based on your hunches, the first impression the employee makes on you or what gossip you vaguely recollect about the applicant.

Take time to investigate the applicant. Have the person fill out a full employment application. (Keep all the applications. If you don't hire a good person now, you may need the person later.) Talk to previous employers or former co-workers, not to relatives or character references.

In one case, the employer was so impressed with the appearance and intelligence of his applicant that he hired him impulsively without checking. Later, a bonding company canceled because the person had a longtime embezzlement record. Almost everything on the application was a fabrication, listing employers in far-off places. A long-distance telephone call or two would have been productive.

Previous employers who will not talk are a bad sign: They may be afraid of libel suits because they *suspect* theft or embezzlement, know the person is a troublemaker, but lack concrete evidence to back up their worries. If the applicant's former boss says he would not re-hire, this may be a personality clash. Possibly, you also will not want to hire. It should always mean you will check further and deeper. I find that people who have personality clashes with one boss have personality clashes with other bosses. Some employers tersely say the applicant was terrific, excellent. This sometimes means the ex-boss is extremely happy your applicant is gone. Try to divert the conversation with the former employer to a description of your applicant's job performance.

Watch out for the job jumper. This increases your turnover. If the applicant lists too many employers, try to find out the reasons in advance.

Ask the applicant to perform the job you want him to do on a trial basis at your bank so you can see the person work. Give the applicant a one-month trial period if you are almost convinced the applicant is the person you need. Be certain the applicant understands the temporary-job status. When the person proves satisfactory, do not delay informing him. Keeping a person in suspense too long is inefficient.

Watch out for the job jumper. This also will increase your turnover. If the applicant lists too many employers on the employment application, try to find out the reasons in advance. Some applicants write down mysterious reasons for changing jobs. An incomplete application is a bad sign. This indicates either a dumbbell or a person with something to hide.

Improper Employer Job Supervision. When you finally hire a good person, take steps to ensure that the person will become a longtime, valuable employee. Never say, "You know the job. Now jump in and do it." Never let a person hang without employer guidance with the thought always on your mind, "If this person can't do it, I'll get someone else." Can you always get someone else?

As explained previously, the most

important step is to tell the employee exactly what is supposed to be done on the job. Work requirements must be made clear right from the start.

Nevertheless, first impressions of responsibility do not always stick. The supervisor should talk to the new employee as soon as possible if the person is observed not doing the job. Follow up is absolutely necessary because, without direction, most employees will follow the path of least resistance. Do not expect every person to be a paragon.

It is wise to have your employee carefully read and sign a bank code of conduct setting forth your bank policy on hours of work, tardiness, absenteeism, loafing, sick leave, arguments with supervisors, insubordination, sloppy work, drugs, sex, slack work periods. Before the new employee signs the form, the person should be asked whether he understands and has all his questions answered.

The second element of supervision after persistency is that the supervisor should be strong. He should *be friendly, reasonable, unprejudiced, but firm*. Inability to control employees is a constant cause of job-quit. Don't let your supervisor get into the position where your employee is the boss. Inadequate training, lack of upgrading, uneven flow of work or not enough work are responsible for some employee quits. Your supervisor should know how to measure job performance. There is no control when the boss cannot estimate the time it takes to do a job or where the supervisor relies on his own prejudices in judgment of job performance.

Health conditions, sanitation, ventilation, dirty washrooms, inadequate eating facilities cause job-quit.

Some job-quits directly related to supervision:

- Supervisor getting angry and bawling out a worker in front of fellow employees.
- Supervisor showing favoritism to cronies or relatives on pay, hours, work load.
- The supervisor should give a compliment when one is due. A series of unjustified or unreasonable criticisms can produce a take-it-or-leave-it job attitude in employees.
- When the supervisor discovers a clerk is moonlighting, he should take a positive position without delay. No go. Work all day and work all night cuts efficiency in one place or another.
- The supervisor should listen to what the employee says, even gripes. Surprisingly, the boss often completely ignores the knowledge, experience and creative imagination of workers.
- The supervisor should be friendly and cheerful toward employees even if it is a hard task for his particular personality. Don't fail to say, "Hello!" A glum, negative outlook by the boss begets inefficiency, indifference, noncooperation and inadequacy. Cheerfulness eases tensions, increases cooperation. Whether he knows it or not, the supervisor is a leader.
- The supervisor should keep busy by planning ahead. Lack of work or overwork both kick employee morale in the wrong place.

Management should locate trouble or increase in tensions in advance. This is done by keeping in close touch with what is going on in the bank. You can't live in a glass cage ignoring what is going on. Make prompt decisions to avoid walkout over personality clashes or over misunderstandings, misinformation. Your delay can aggravate tension.

Take care in situations involving employee prestige so that employees can "save face." Morale is most important and can't be bought merely by an increase in pay. Management should take an interest in the employee's family and not disregard his personal ambitions. Encourage the employee to take bank training courses.

Top Executives. In connection with important executives who can be expected to increase the profits of your bank, you need to go further. Help this person locate a home or apartment near enough to cut down gasoline expense. Explain the good and bad points of the new neighborhoods available to the person. Is the person overpaying for the house? Are the proper schools available for the children? What churches, clubs, social, educational community activities are available to the person? What civic activities should the person enter? What activities does the bank frown on? Arranging a satisfactory house loan can be one of the most attractive fringe benefits for a new bank executive.

The Exit Interview. Finally, when an employee leaves the bank, do not let the employee leave without a talk-it-over. Discover why the employee quit to help guide your actions in the future to cut down turnover. Is there some condition at the bank that can be changed that will result in less turnover? You may want to re-hire the person sometime. A person who will not be frank with you face-to-face often will answer your written query two weeks afterward.

Summary

- You can't stop turnover, but you can cut down the quit-rate.
- When an employee quits, you should know whether you need to fill the vacancy. Can you reassign or realign jobs, making do with employees who are left?
- Don't get angry or bawl out a worker in front of fellow employees.
- Successful supervision consists in a complete understanding by the employee of what he is supposed to do and how he is supposed to act on the job. After this, the manager should follow up to show he means what he says.
- Give your employee a sincere compliment when he deserves it.
- A series of unjustified or unreasonable criticisms can produce a take-it-or-leave-it job attitude in employees.
- Prompt firing of inadequate or inefficient employees saves inevitable unemployment taxes.
- When you discover a person is moonlighting, take a firm position without delay. No go.
- You can't keep inconsistencies in work-load hours or salary a secret in your bank.
- An employee's thoughts and prejudices mean much to him. Avoid controversial discussions always leading to arguments. Learn to tolerate personal opinions in employees. • •

Respect Key to Productivity

THE KEY to unlocking the untapped reservoir of human potential is respect, says Harold R. McAlindon, executive vice president/general manager, Batten, Batten, Hudson & Swab, Inc., management consultants, Des Moines, Ia.

"You can't motivate a person you don't respect," Dr. McAlindon says. "Respect for individuality is the key ingredient in tapping abilities in people."

Numerous work-attitude surveys indicate that employees put appreciation for work done at the top of the list of factors they desire in their work/supervisor relationship, Dr. McAlindon says. This is their way of saying, "I want recognition for the contribution I make."

Paying respect to people can earn a double-barreled dividend for a manager, he says. First, the manager's respect for a person helps to increase that person's self-image, which, in turn, is reflected in better job performance.

The second reward from respecting others is respect for oneself, Dr. McAlindon says. History abounds with examples of distinguished persons whose respect for human life has provided inspiration to people. "Today, perhaps more than ever before, people are looking for someone and something to believe in. Herein lies the secret of tapping human potential," he says.

A manager who generates self-respect makes his organization a better place in which to work and the world a better place in which to live, he adds. "Given an atmosphere of trust, encouragement and respect for their human qualities, ordinary people can do extraordinary things."

Japanese Film Documentary To Feature Segment On Late Detroit Banker

DETROIT — A documentary on the Japanese economy being produced by the Japanese Broadcasting Corp. contains a segment on the late Joseph M. Dodge, former chairman, Detroit Bank, who helped rebuild Japan's economy after World War II. The documentary will appear on Japanese TV in three parts during April.

A Japanese film crew came here in November to obtain information about Mr. Dodge, who was bank chairman from 1954-63 and who died in 1964. A reporter was filmed questioning Donald R. Mandich, bank president, who was a close associate of Mr.

Donald R. Mandich (r.), pres., Detroit Bank, holds *Time* magazine cover photo of late Joseph M. Dodge, former bank ch., as he is questioned by Japanese reporter. Interview will be part of documentary that will be shown on Japanese TV in April. Mr. Dodge helped rebuild Japan's economy after World War II.

Dodge. Photos, citations and a medal belonging to Mr. Dodge also were filmed. These items had been on display at the bank until recently, when they were turned over to the Burton Historical Collection of the Detroit Public Library, as outlined in Mr. Dodge's will.

Better Economic Education Goal of Arkansas Groups

More practical economics experience in classrooms is the goal of members of the Arkansas Bankers Association and the Arkansas State Council on Economic Education.

A one-day workshop on the topic was sponsored by the two groups recently to bring together more than 80 bankers, economics education teachers and school administrators to discuss greater involvement of bankers in student education.

The cooperative program of the two organizations is said to be the first of its kind in the nation and will involve schools, local banks and other community members in the classroom economic education process.

Heading the workshop was Judy Sligh, president of the Ark. BA's young banker section and assistant vice president, Citizens First State, Arkadelphia.

Fed's 1980 Earnings

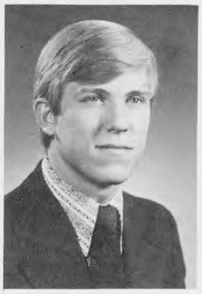
WASHINGTON, D. C. — Federal Reserve banks' gross earnings amounted to $12,802 million during 1980, according to preliminary figures released last month. This was a 24.2% increase over a year earlier. Current expenses for the 12 Reserve banks and their branches totaled $791 million — a 14.1% boost over a year earlier.

Assessment for Board of Governors expenditures amounted to $62 million. There was a net deduction of $115 million in the profit-and-loss account. This resulted primarily from a net loss of $199 million on sales of U. S. government securities and a net profit of $96 million on foreign-exchange operations.

Net earnings before payments to the Treasury totaled $11,834 million. Payments to the Treasury as interest on Federal Reserve notes amounted to $11,707 million; statutory dividends to member banks, $70 million, and additions to Reserve Bank surplus, $57 million.

Under a policy adopted by the Board of Governors at year-end 1964, all net earnings after the statutory dividend to member banks and additions to surplus to bring it to the level of paid-in capital were paid to the U. S. Treasury as interest on Federal Reserve notes.

Compared with 1979, gross earnings were up $2,492 million, due mainly to a $2,407-million increase on U. S. government securities.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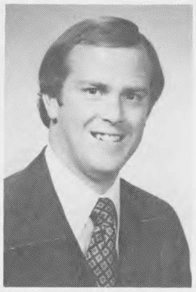
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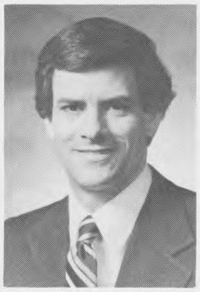
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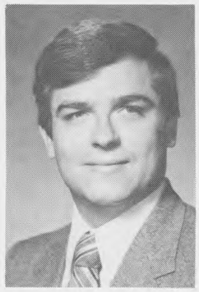
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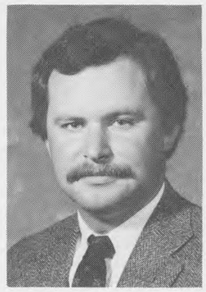
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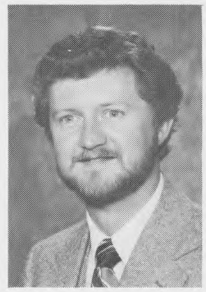
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Young Bankers of Kansas To Meet in Topeka

The Topeka Ramada Inn will be the site of this year's convention of the Young Bank Officers of Kansas (YBOK).

Tentative program arrangements include talks by Bill Wilsted, dean, Colorado School of Banking; Larry Steckline, president, Mid-America Ag Network; Jim Maag, director of research, Kansas Bankers Association; and Bill Antes, CBS radio, Chicago. Still to be lined up at presstime were representatives from the Kansas City Fed and the Kansas Senate and House of Representatives.

Emphasis this year has been on the YBOK scholarship program, which has been expanded from six state colleges and universities to include all four-year colleges in Kansas. YBOK continues to be active in promoting its personal economics program (PEP), which is in its fourth year.

Officers of YBOK this year are Steve Colliatie, assistant vice president/correspondent bank officer, First National, Topeka — president; Dean Thibault, vice president/agricultural loans, Hutchinson National — vice president; John P. (Jack) Ayres, marketing director, First National, Manhattan — secretary; and Lloyd K. Culbertson, vice president, First National, Phillipsburg — treasurer.

Mr. Colliatie entered banking in 1970 at Citizens National, Emporia. He moved to First of Topeka in 1979 as correspondent bank officer and attained his present title last December.

Mr. Thibault joined Hutchinson National in 1977 as an agricultural loans/correspondent officer after serving as assistant vice president in the correspondent bank department at First National, Wichita.

Mr. Ayres entered banking in 1971 and has been with First of Manhattan since 1974. He was named vice president/marketing director earlier this year.

Mr. Culbertson has been in banking since 1976, when he joined his present bank as assistant cashier. He was named a vice president in 1978.

Tenn. Young Bankers To Meet in Nashville

The importance of banking education and updates on the Tennessee General Assembly and pricing NOW accounts will highlight this year's 20th annual Young Bankers Convention of the Tennessee Bankers Association April 12-15 in Nashville.

The following topics and speakers have been scheduled: "The Importance of Education in Banking Today," by James B. Powers, chairman/president, Planters National, Rocky Mount, N. C., and president, School of Banking of the South; "Recap — the 1981 Tennessee General Assembly," by Don Baltimore, TBA general counsel; "Pricing Bank Services/NOW Accounts — Three Months Later," by Carl C. Nielsen, Wichita, Kan.

Also on the program are a welcome address by TBA President Jim R. Fitzhugh, president, Bank of Ripley, and a business session, at which bylaw changes will be considered.

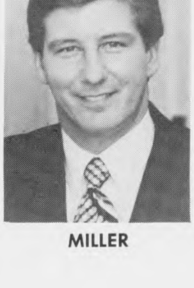
A golf tournament, reception and dinner/dance will complete the program.

Presiding at the convention will be Bruce Plummer, president, Young Bankers Division, and vice president, Commerce Union, Murfreesboro. Other officers serving for the 1980-81 term include Jimmy Harrison, vice president, Martin Bank — president-elect; Mike Miller, president, First National, Crossville — vice president; Nick McGuire, senior vice president, Park National, Knoxville — chairman; and Jim Henry, president, Oakland Deposit Bank — ex-officio member.

Mr. Plummer entered banking in 1969 at Third National, Nashville. He moved to his present bank in 1978 as assistant vice president and attained his present title in 1979.

Mr. Harrison began his banking career at Reelfoot Bank, Union City, in 1972. He joined Martin Bank in 1975 as loan officer and was promoted to vice president in 1979.

Mr. Miller entered banking in 1969 at Citizens Bank, Cookeville. In 1977 he moved to First of Crossville as executive vice president. He became president/CEO in 1978.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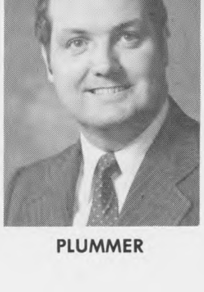
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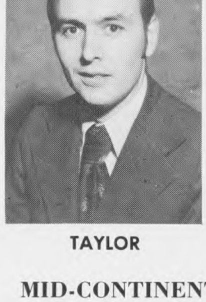
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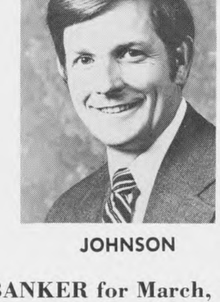
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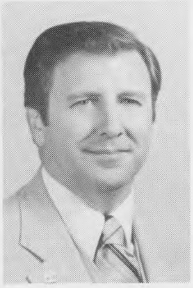

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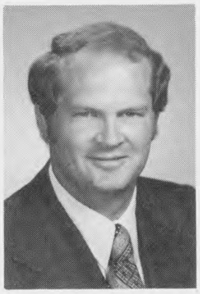

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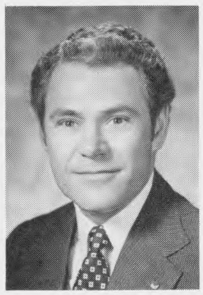


DANIEL

Louisiana Young Execs To Hold Convention

The 24th annual study conference and convention of the Young Executive Section (YES) of the Louisiana Bankers Association will be held March 19-21 at the Bellemont Motor Hotel, Baton Rouge.

The event will begin with a reception from 5 to 7 p.m. on Thursday evening, March 19. Friday's program will include a keynote address by W. Henson Moore, U. S. congressman; a bank profitability session conducted by G. Lee Griffin, president, Louisiana National, Baton Rouge; a talk on competition by Tracy J. Mandart, president, H. J. Wilson Co., Baton Rouge; a presentation on the fallacy of fortress banking by James M. Grant, vice president, VISA USA, Washington, D. C., and a strategies adjustment session with Robert H. Long, director, advanced studies, Bank Administration Institute, Park Ridge, Ill. A luau will be held that evening.

Saturday's program will include presentations by Charles Worsham, LBA executive vice president; Gene McCann, Louisiana State University, Baton Rouge, and Charles Foret, vice president and manager, correspondent department, National American Bank, New Orleans. A business meeting will conclude the business program. The president's banquet will be held that evening.

Errol J. Delahoussaye will preside at the event. He is president, Bank of Iberia, New Iberia, and president, YES. Other officers include Gene Daniel, vice president, Louisiana National, Baton Rouge — vice president; Ronnie Darden, vice president, Catahoula Bank, Harrisonburg — secretary; and Tommy Jones, vice president, Capital Bank, Baton Rouge — treasurer. Mr. Delahoussaye entered banking in 1961 at St. Martin Bank, St. Martinville. He moved to Bank of Iberia in 1978 and has been president/CEO since that time. Mr. Daniel joined Louisiana National in 1966. He is expected to succeed Mr. Delahoussaye as YES president during the convention.

Mr. Darden became a banker in 1971 at Caldwell Bank, Columbia, and joined his present bank in 1977 in his present posts of vice president/manager, Harrisonburg Office. Mr. Jones has spent his entire banking career — since 1965 — at Capital Bank. He became an officer in 1970 and advanced to vice president in 1977.

Study Conference/Convention Set by Miss. Young Bankers

Bankers Ronald Terry and Eugene Leonard will be featured on the program of the study conference of the Young Bankers Division of the Mississippi Bankers Association March 11-13 at the University of Southern Mississippi, Hattiesburg. Mr. Terry is chairman/CEO, First Tennessee National Corp. and First Tennessee Bank, Memphis. Mr. Leonard is senior vice president, Mercantile Bancorp., St. Louis.

The division will hold its annual convention at the Hilton Hotel, Biloxi, March 13-15, with a general business session set for March 14.

Division officers are: Greg Taylor, executive vice president/chief operating officer, Peoples Bank, Indianola — president; Pete Johnson, senior vice president, United Southern Bank, Clarksdale — vice president; Clifton B. Fowler, vice president, First National, Jackson — secretary, and Holt McMullan, senior vice president, First Mississippi National, Jackson — treasurer. Mr. Johnson is conference chairman and is expected to succeed Mr. Taylor as president at the convention.

Mr. Taylor joined Peoples Bank in 1972 and achieved his present title last January. Mr. Johnson has been in banking since 1971 and joined United Southern Bank in 1974. He has been senior vice president since the first of this year. Mr. Fowler has been with First of Jackson since 1971 and has held his present title since 1977. Mr. McMullan joined First Mississippi National in 1973 and has been a senior vice president since last December.

Local Banker Helps Save Neighborhood Shopping Area

A Chicago banker has been instrumental in arranging for financing of a parking garage that is given credit for saving a business area on the city's northwest side.

C. Paul Johnson, chairman, Colonial Bank, and president, Belmont-Central Chamber of Commerce, successfully worked with the city of Chicago to not only arrange financing for construction of the garage, but devised a formula to subsidize its operations so that neighborhood shoppers can park free of charge.

The project was undertaken after a new shopping center with free parking opened about two miles from the business area. Competition from the shopping center threatened local merchants, who realized their success was dependent on free parking.

Mr. Johnson and the Belmont-Central Chamber of Commerce worked with the city to arrange $1.6 million in HUD financing for the garage. In turn, the structure was given to the city and the city has leased it to the chamber of commerce, which operates the facility free to shoppers by assessing each member merchant for the upkeep.

News

About Banks and Bankers

Alabama

Robert M. Montgomery has been named vice president/manager, correspondent bank division, at Central Bank, Birmingham, a new position. He joined the bank in 1973 and formerly was vice president/commercial loan officer in the commercial loan division.

MONTGOMERY

1981-82 Officers Elected At Ala.BA Group Meetings

The following officers were elected recently at group meetings of the Alabama Bankers Association:

Group 1: Chairman — James B. Flemming, president, Bank of Florence; vice chairman — Robert F. Page, senior vice president, First National, Hamilton.

Group 2: Chairman — John E. Wilks Jr., vice president, First State, Decatur; vice chairman — Thomas M. Guyton Jr., vice president, Citizens Bank, Hartselle.

Group 3: Chairman — Jane S. Poovey, senior vice president, Farmers & Merchants, Centre; vice chairman — Clyde Williams, vice president, Central Bank of Alabama, Oneonta.

Group 4: Chairman — William C. Robertson, vice president, Citizens Bank, Fayette; vice chairman — Gerald L. Busby, senior vice president, First National, Tuscaloosa.

Group 5: Chairman — Roy Reeves, president, Citibanc of Alabama/Roanoke; vice chairman — Cecil C. Miller, senior vice president, First National, Jacksonville.

Group 6: Chairman — Gary M. Pierson, vice president/trust officer, Peoples Bank, Selma; vice chairman — Lawrence R. Tate, chairman/president, Central Bank, Uniontown.

Groups 7 & 8: Chairman — Watt Jones Jr., president, Citizens Bank, Wetumpka; vice chairman — John R. Thomas, chairman/president, First National, Alexander City.

Group 9: Chairman — Kenneth P. Schultz, executive vice president, Farmers & Merchants, Foley; vice chairman — Armistead R. Harper, vice president, Peterman State.

Group 10: Chairman — Harry Nelson, president, Central Bank, Eufaula; vice chairman — James T. Ramage III, chairman/cashier, First National, Brundidge.

Daniel H. Mullis has been promoted to senior vice president/personnel director at Central Bancshares of the South, Birmingham. He formerly was vice president/personnel director. He joined Central Bank, Birmingham, in 1974, as personnel officer.

Arkansas

First National, Wynne, has promoted Charles L. Miller from vice president to executive vice president, Ronald L. Cox from assistant vice president to vice president and J. R. McFarland to assistant vice president.

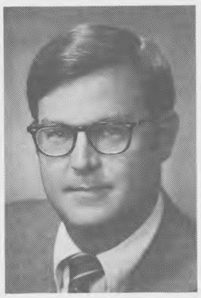
Ann Jones has been promoted from assistant vice president to vice president at Cross County Bank, Wynne, and Ronnie Sims has moved up from

Arkansas Bank Promotes 9

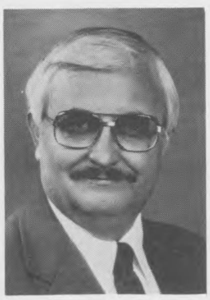
Nine officers have been promoted at Arkansas Bank, Hot Springs. They are, front row, from l.: William "Bill" Kennedy, Lorene McLeod, Louise Hulsey and Winnie Trawick to vice presidents and Ralph White to senior vice president. Back row, from l.: Gary Blenden to senior vice president and Ruth Quackenbush, Ann Hand and Phil Lassiter to vice presidents.

assistant cashier to vice president. Newly elected assistant cashiers are: Charlotte Patton, Virginia Marshall, Patti Turner and Jessica Manley.

FORTSON



KNAPP



GIECK

Robert W. Knapp has joined Union National, Little Rock, as senior vice president/manager, corporate division, including correspondent banking. He formerly was with First National, St. Louis. R. D. Melton has been elected senior vice president/manager, real estate division. He joined the bank in 1976 and currently is president, Mortgage Bankers Association.

D. Eugene Fortson has been elected president/CEO, Worthen Bank, Little Rock, succeeding James Penick Jr., who has been elected vice chairman, First Arkansas Bankstock Corp. (FABCO). Edward M. Penick continues as chairman/CEO, FABCO, and chairman, Worthen Bank. Mr. Fortson returns to Worthen after serving as executive vice president, R. D. Doubleday Co., Little Rock. He formerly was senior vice president/division manager at Worthen and senior vice president, FABCO. He joined Doubleday in 1979.

Bill Gieck has been appointed sales engineer by LeFebure, operating out of the Memphis branch. He calls on banks in northwest Arkansas.

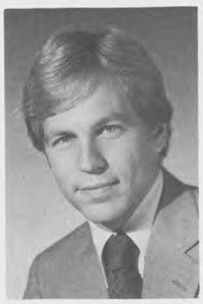
Commercial National, Little Rock, has promoted Michael E. Hagen to vice president/auditor, Walter May to vice president and Jonathan Timm, Sue Birdwell Schoettle and Linda Shirron to assistant vice presidents. In other action, Sam F. Segnar, president/CEO, InterNorth, Inc., has been elected to the national advisory board.

Died: Margaret Merrell, 50, vice president, First National of Eastern Arkansas, Forrest City, on January 30. She was murdered in her farm home. She had been with the bank 30 years.

Died: Henry C. McKinney, 72, chairman, First National, El Dorado, and director, First National, Magnolia, after a long illness. He was a former director of the Little Rock Fed.

Illinois

Robert J. Genetski, vice president/economist, Harris Trust, Chicago, has been appointed director of the economic research office of the bank, succeeding Beryl W. Sprinkel, who was named Undersecretary of the Treasury for Monetary Affairs by President Ronald Reagan. Mr. Genetski joined the bank in 1971 and authors the bank's monthly economic newsletter, "Barometer of Business." He also is a panelist on the bank's monthly cassette series, "Harris Sound of Business."



GENETSKI

ANDES

MONTGOMERY

G. Thomas Andes has been elected president, First National, Belleville, succeeding the late Dean Kamper. James Montgomery has been named senior vice president and heads the expanded correspondent banking division. Also named senior vice president was James Jolley, who is in charge of investments. Mr. Andes formerly was executive vice president of the bank, which he joined in 1965. Mr. Montgomery went to First National in 1978 after 20 years' correspondent-banking experience with National Stock Yards National, National City, which was closed in 1977.

Ronald L. Watson has been appointed president/CEO, First National, Smithton, succeeding John C. Quirin, who has been named chairman.

Andrew R. Cullum has been appointed senior vice president at Central National, Sterling. He formerly was with National Bank, South Bend, Ind.

James J. Carmody has been named president, Drovers Bank, Chicago, succeeding Frank E. Bauder, who was named chairman. William C. Olsen has been named president, Main Bank, Chicago, succeeding James V. Tosto, who was named chairman. Both banks comprise the recently formed Cole-Taylor Financial Group. CEO of both banks is Sidney J. Taylor, who also is executive committee chairman of the group. Irwin H. Cole continues as vice chairman at both banks and also is vice chairman of the group's executive committee.

William J. Boys has been appointed deputy commissioner of banks and trust companies for the state of Illinois. He formerly was director, Illinois department of personnel.

Drew Karandjeff has been elected president, Granite City Bank. He formerly was executive vice president. William L. Patton Jr. was elected executive vice president and Irene Feeler was elected assistant cashier.

Luke P. Miller, vice president, Continental Bank, Chicago, has become senior liaison officer to the marketplace for corporate trust and investment services. He formerly was head of employee benefit plans services.

Lawrence C. Russell has joined First National, Chicago, as a senior vice president and head of service products, a new department. He is responsible for development, marketing and delivery of noncredit products throughout the U. S. The products include documentary collections, letters of credit, money transfer and lock box. He formerly was with the Olin Corp. Stamford, Conn.

Indiana

Community State, Huntington, has promoted John Easterday and Madonna Jeffers to vice president and assistant vice president, respectively. Mr. Easterday has been with the bank 11 years; Mrs. Jeffers eight years.

Terre Haute First National has promoted Larry Schopmeyer, William Adams and Jo Cochran to assistant vice presidents and William Sims, Mike Liehr and Erma Mathis to assistant cashiers. Robert Marsh was named trust officer and Mary Ann Murphy was promoted to commercial leasing officer.

Purdue National, Lafayette, has promoted Stanley J. Calderon to executive vice president/cashier, Herbert O. Stitz to senior vice president and Murray N. Marshall and Steven A. McQueen to vice presidents.

Ray Replaces Faris

William T. Ray has been appointed director, department of financial institutions, replacing James Faris. Mr. Ray is an organizer and director of Midwest National, Indianapolis. He was an executive assistant to former Governor Otis R. Bowen from 1973 to 1980. Mr. Faris has not yet announced future plans. He served in the department of financial institutions for 31 years, the last 12 as director.

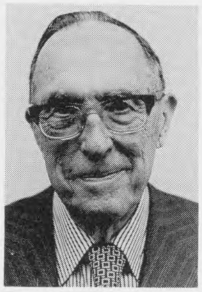
Kansas

Rebecca A. Elliott has joined Southgate Bank, Prairie Village, as vice president in the commercial loan division.

W. L. Webber Dies

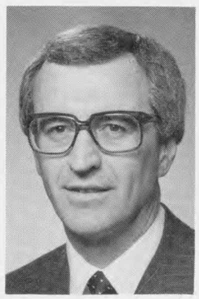
KANSAS CITY — W. L. "Bill" Webber, 87, chairman emeritus, Security Nat'l, died January 28.

The dean of Kansas bankers, Mr. Webber entered banking in 1925 at Bush City State. He then was a state banking examiner, a national bank receiver, an assistant bank commissioner for Kansas and a senior FDIC examiner. He joined Security Nat'l in 1943 and specialized in agricultural financing. He formed the bank's correspondent banking department in 1945 and remained active until January, 1979, when he entered semi-retirement.


WEBBER

Memorials may be made to: W. L. "Bill" Webber Scholarship Fund for Agricultural Banking, c/o R. R. Domer, Security Nat'l Bank, P. O. Box 1250, Kansas City, KS 66117.

J. V. Lentell has been elected chairman at Kansas State, Wichita. He continues as president, a post he has held since 1975. He joined the bank in 1966 and was elected to the board in 1967. He has been in banking since 1957. In other action, the bank promoted Randall W. Summers, Gregory K. Wilson and Robert Karst from assistant vice presidents to vice presidents and Michel Straub from cashier to vice president/cashier.


LENTELL

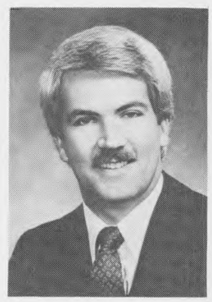
Anna M. (Annie) Schilling has been promoted to senior vice president/cashier at First National, Dodge City. She joined the bank in 1951.

First National, Chanute, has promoted Lavaunna Hummer to administrative officer and William R. Skolaut to loan officer. Mark Eldridge has been elected to the board. He is a vice president at the bank. Named board consultants were Harold L. Culver, executive vice president, and Marcia Eldridge, assistant vice president.

Security State, Great Bend, has contributed $30,000 to establish the J. A. Mermis Jr. scholarship fund through the endowment association of Barton County Community College. The grant was made in observance of the bank's 30th anniversary. Mr. Mermis is the bank's vice chairman/CEO/trust officer. He was president of the Kansas Bankers Association in 1969.

Kentucky

George Maxwell has been appointed account executive for Kentucky for Christmas Club a Corp., headquartered in Easton, Pa. He formerly was with Connecticut General Life Insurance Co. and is a graduate of the University of Kentucky.


MAXWELL

Hart County Bank, Munfordville, has promoted Randall Dennison and Louise C. Martin to executive vice president and senior vice president/

cashier, respectively. Mr. Dennison formerly was senior vice president and Miss Martin formerly was vice president/cashier.

American National, Bowling Green, has promoted Tom Jones, Sarah Spear and Darcy Tabor to assistant vice presidents.

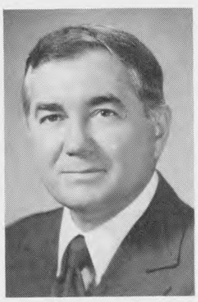
United Kentucky Bank and United Kentucky, Inc., Louisville, have elected John C. Nichols II and E. Robert Muir Jr. to their boards. Mr. Nichols is with CONNA Corp. and Mr. Muir, formerly with Tube Turns, is retired.

Sam T. Adams has been promoted to first vice president in charge of the correspondent banking department at First Security National, Lexington. He has been with the bank since 1975 and formerly was a vice president.

Louisiana

Paul M. Feliu has been promoted to senior vice president at Bank of New Orleans. He formerly was branch administrator in the banking division and previously had served as vice president, New Orleans Bancshares, and vice president and assistant vice president of the bank. He joined Bank of New Orleans in 1970.

FELIU



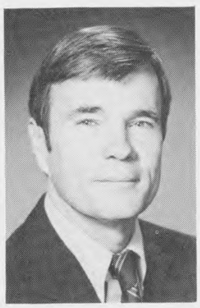
SIMONEAUX

M. J. "Kelly" Simoneaux has been promoted to president, City National, Baton Rouge. He formerly was executive vice president/cashier and joined the bank in 1955. Also promoted were William A. Morris and John C. Hamilton to executive vice presidents, N. A. Maestri Jr. to senior vice president, Larry K. Lalumandier to vice president/cashier, John S. Hancock Jr. to vice president/senior trust officer and Betty S. Crawford, Alan D. Lahr, Arthur L. Magee III and P. Geary Vance to vice presidents.

Hibernia Opens New Branch

Hibernia National, New Orleans, opened its new Crowder Blvd. Branch in New Orleans East recently. The building is residential in character. Its 5,000-square-foot lobby is three times as large as the lobby of the former building. The branch features seven drive-up lanes and has an expanded safe deposit box area and community meeting rooms.

Mississippi



DAY

Frank R. Day has been elected chairman/CEO, First National, Jackson, and R. M. Hearin, chairman, First Capital Corp., has assumed additional duties as chairman, executive committee, of First National. Mr. Day continues as president, First Capital Corp., and as chairman, Smith County Bank, Taylorsville, and State Guaranty Bank, Magee.

James Mack Stewart has joined the Bank of Commerce Branch of Hancock Bank, Poplarville, as vice president. He formerly was manager of a local financial institution.

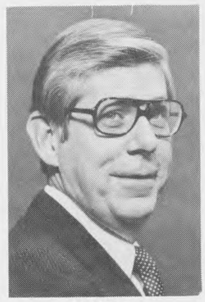
Missouri

William L. Hayse has been promoted to senior vice president, United Missouri Bancshares, at its St. Louis headquarters at United Missouri Bank, St. Louis. He formerly was president, United Missouri Bank, Kirkwood, and now supervises business development for the four St. Louis-area banks that are affiliates of the HC.

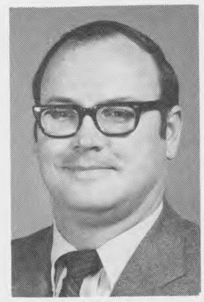
Robert J. Duffey has been named president, United Missouri Bank, Kirkwood. He joined United Missouri last year as senior vice president, coming from a St. Louis-area bank.

Douglas F. Page has been elected senior vice president/loan administration, United Missouri Bancshares. He formerly was president, United Missouri Bank of Blue Valley. He joined the organization in 1966.

St. Louis County Bank, Clayton, has elected Donald C. Hartig vice president and Norinne Hobbs assistant vice president. Mr. Hartig manages the investment department and formerly was at First National, St. Louis. Mrs. Hobbs joined the bank in 1966 and is manager of the bank's mini-bank facility.



HAYSE



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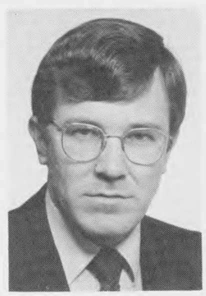
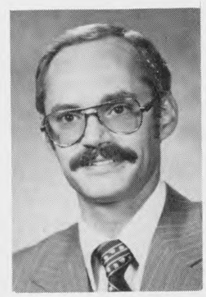


CUMMINGS



GILPIN

County National Bancorp., Clayton, has elected Thomas Cummings and Karen L. Hodgdon vice president/general counsel and accounting officer, respectively. Mr. Cummings also is vice president/general counsel at St. Louis County Bank. Miss Hodgdon joined St. Louis County Bank in 1978 and County National Bancorp. in 1980.

H. Kenneth Gilpin Jr. has joined First National, St. Joseph, as senior vice president. He supervises operations. He formerly was a commercial bank consultant.

First National and First Trust, both in St. Joseph, have announced plans to merge by the end of this month. First Trust will become a facility of First

National. Both banks are affiliates of First Midwest Bancorp. The merger involves construction of a new facility in northeast St. Joseph this year that will give First National three offices in St. Joseph. The new office will be at Ashland Avenue and Karnes Road and will include 17,000 square feet of floor space on three levels. The first and second levels will be used by the bank facility and the top level will house First Midwest Bancorp's offices. Customers using the facility's drive-through will be able to use the drive-through windows, an ATM and night depository without leaving their automobiles.

James M. Prevost has joined First National, Kansas City, as a vice president and Martha K. Carpenter has been promoted to assistant manager, credit department. Mr. Prevost is responsible for installation and operation of new data processing software being developed for the bank and other institutions affiliated with First National Charter Corp. He joined the HC in 1978. Miss Carpenter joined the bank last March, coming from United Missouri, Kansas City.

Mercantile Trust, St. Louis, has promoted William H. Akers, R. Michael Krueger and Don C. Weir Jr. to assistant vice presidents. They joined the bank in 1964, 1978 and 1980, respectively.

First National, St. Louis, has promoted Rosemary E. Carson, Edward A. Hopkins and Nancy L. Spencer to assistant vice presidents. First Union Bancorp. has received Fed approval to acquire Columbia Union National, Kansas City. The affiliation agreement calls for an exchange of stock between First Union and Columbia Union Bancshares, parent of Columbia Union National.

Boatmen's Bancshares, St. Louis, has received Fed approval to acquire Plaza National Bancshares and its affiliate, Plaza Bank of West Port, located in west St. Louis County. Plaza Bank will be the eighth subsidiary of Boatmen's. Consummation is expected this month.

Crystal City State has promoted Richard F. Mayer to executive vice president/director and Penny Kempfer to controller. Robert E. Peppers, division manager, St. Joe Lead Co., has been elected a director.

New Mexico

David A. Ruiz has been named president, First State Bank, Gallup, succeeding Robert H. Allen, who was elected chairman. Former Chairman John A. Brentari Jr. continues as board secretary. Also promoted were Pat Taylor to senior vice president and Ophelia Gonzales and Johnny A. Griego to assistant vice presidents. Mr. Ruiz joined the bank in 1959 and had been executive vice president/trust officer since 1974.

RUIZ

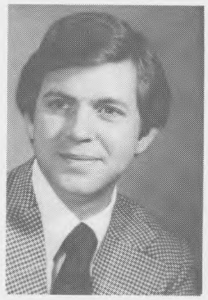
Fidelity National, Albuquerque, has named James A. McCormick senior vice president in charge of commercial lending and James G. Binyon senior vice president/cashier, in charge of operations. Mr. McCormick comes from First Wisconsin Corp., Milwaukee, and Mr. Binyon formerly was with First State, Gallup.

Kevin B. Farrell has been appointed senior vice president at New Mexico Banquest Corp., Santa Fe. He heads the firm's financial group.

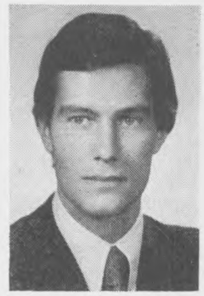
Oklahoma

John E. Koch has been promoted to vice president in the correspondent banking department at Liberty National, Oklahoma City. Other new vice presidents are Melvin E. Burch, trust; Shirley Pullin, personal banking/credit card; William N. Shafer Jr., systems; Larry Bos, Mike Crews, Jim Crouch, Ken Davis, David Drake, Doug Freebern, Jim Seiden, Liberty Data Services. New assistant vice presidents include Glenetta S. Rogers, operations; David L. Sutter, real estate; John D. Thompson, electronic banking; Joyce Wheeler, personal banking/credit card; Bruce Allsen, Charles Clifford, Jim Costain, Mike Floyd, Dale Ginn, Keith Huckabay, Jim Jones, Russ Nordstrom, Lynn Oldham, A. F. Roach, Dale Shattuck, Darrel Stewart, Jim Vermillion, Grady White, Sherry Wietelman, Bob Williams, Sue Young, Liberty Data Services.

Richard Pralle, vice president, First National, Oklahoma City, has been



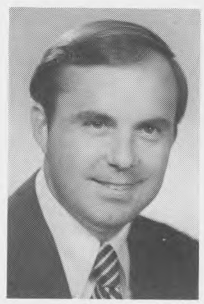
KOCH



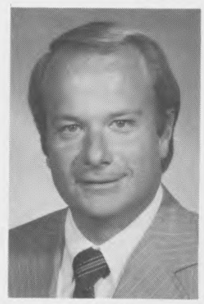
PRALLE

named head of the correspondent department. He joined the bank in 1975 and also serves as a director of Bank of Garber. In other action, the bank promoted Randolph Royse to senior vice president/metropolitan lending. Mr. Royse joined the bank in 1973.

C. A. Vose Jr. has been promoted to CEO, First Oklahoma Bancorp., Oklahoma City, and Dale E. Mitchell, president, First National, Oklahoma City, has been named to the additional post of bank CEO. Charles E. Nelson was named president, First Oklahoma Bancorp., and chief operating officer of its nonbanking subsidiaries. James R. Claborn was elected executive vice president/finance of the HC. Additional HC appointments include Robert C. Lowrey Jr. to senior vice president/manager, Bancorp. service companies; Barry J. Sobral to senior vice presi-



MITCHELL



VOSE

dent/corporate financial services and investor relations; Gary D. Bunch to senior vice president/long-range product planning and development; and Dale Updegrove to assistant vice president/financial division.

Nanci R. Trutna has been named vice president/controller and Stella Knowles has been named assistant vice president/trust officer at Central National, Enid.

Fourth National, Tulsa, has promoted Susan B. Brown to senior vice president/controller; John M. Robinson, Fredric E. Russell, Clyde V. Crutchmer and Randal W. Smith to vice presidents; and Ron Turnage to assistant vice president.

Tennessee

Helen D. Miller, vice president in the correspondent bank department, Third National, Nashville, has retired after 31 years with the bank. She joined the bank in 1949 and had been a vice president since 1979. Jean Young was promoted to vice president and Charles Lamb and Billy Miller were appointed assistant vice presidents.

MILLER

First American, Nashville, has promoted Andrew G. Higgins, P. D. Houston III and Robert G. Lamons to executive vice presidents; Harold W. Fogelberg and James T. Gunn to senior vice presidents; and Barbara W. Brake, Earl W. Leech, Larry E. Morrow, Thayer Smith and R. Ben West Jr. to vice presidents.

Fletcher F. Maynard Jr. has joined the loan administration area of the community bank group at First Tennessee Bank, Memphis. He formerly was vice president in the correspondent bank division and has been with the bank nine years.

Texas

Robert G. Fuller has been named president, Twin City Bank, Texarkana. He joined the bank when it opened in 1972 and had been vice president since 1976.

George L. Clark has been elected chairman/CEO at Mercantile Bank, Dallas, succeeding Gene H. Bishop, who remains as chairman, executive committee. Mr. Clark joined the bank in 1975 and had been president since 1979. James B. Gardner is the bank's new president. He has been with the bank 25 years and had been vice chairman. New vice chairman is James M. Spellings, who also serves as executive trust officer. Mercantile Texas Corp. has elected Bill O. Mead to its board. Mr. Mead is chairman, Campbell Taggart, Inc., food products firm.

Catherine G. Wright and Jeff W. Hinger were promoted to vice president and assistant vice president, respectively, at Frost National, San Antonio. They joined the bank in 1968 and 1979, respectively.

Southwest Bancshares, Houston, has announced plans to merge with Fort Worth Bancshares and Mansfield State Bank. Fort Worth Bancshares owns Fort Worth Bank.

Culver Turlington has been named vice president/marketing department manager at Fannin Bank, Houston. His former associations include First Texas Financial Corp., Dallas, and Bank of the Southwest, Houston.

Index to Advertising

(Continued on page 92)

Fed Answers Reg Questions

John W. Rosbrugh, examiner in the St. Louis Fed's consumer and community affairs department, answers common questions about federal regulations affecting most banks. Information given here reflects Mr. Rosbrugh's opinions, not necessarily those of the St. Louis Fed or the Board of Governors.

Q. When must a creditor obtain the "information for government monitoring purposes" required by the Board's Regulation B?

A. Section 202.13(a)(1) states "that any creditor receiving an application for consumer credit relating to the purchase of residential real property, where the extension of credit is to be secured by a lien on such property, shall request as part of any written application for such credit the following information regarding the applicant and any joint applicant: (1) race/national origin; (2) sex; (3) marital status, and (4) age." If the applicant wishes not to give the information, there must be an initialed statement to that effect and bank personnel are required to record the monitoring information to the extent possible and indicate that the information was supplied by the bank. A written application has been defined as any written material, whether on preprinted form or simply notes on a sheet referring to the applicant's request.

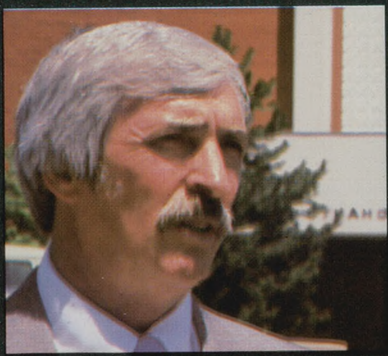
Q. Is it permissible for a creditor to make automatic debits to customers' accounts for repayment of preauthorized overdraft credit?

A. Yes. Effective January 15, 1981, section 202.3(d) of the Board's Regulation E was amended to exempt the provision prohibiting creditors from conditioning an extension of credit upon repayment by pre-authorized debits.

Q. May schools place their funds in NOW accounts?

A. Under existing Board interpretations, a school district is eligible to maintain NOW accounts if it is an independent entity. The fact that a school district or university system is supported completely or in part by tax funds does not, of itself, restrict the eligibility for maintenance of a NOW account.

An important factor in determining eligibility is the degree of involvement of the state or local government in the operation of the school district or university system. Also to be considered is whether state law defines the school district or university system as a separately constituted entity or merely a department or agency of the executive branch of government. In view of these variables, each school district or university system must be evaluated on a case-by-case basis.



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