

MID-CONTINENT BANKER

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The Financial Magazine of the Mississippi Valley & Southwest

AUGUST, 1981



Community Involvement



Agribusiness

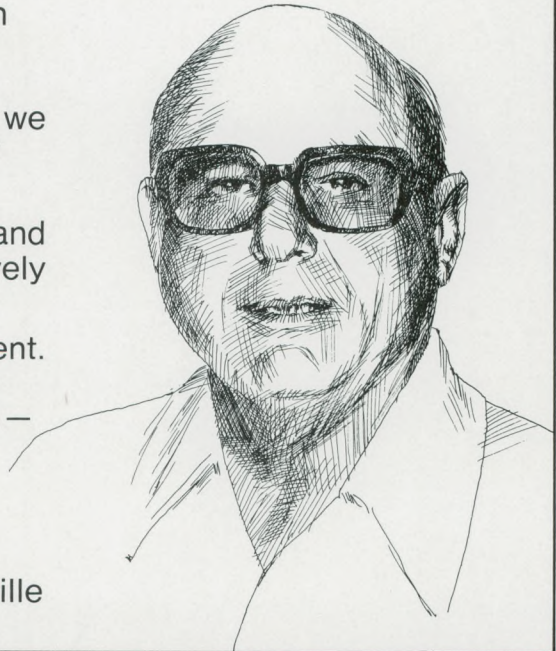
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MID-CONTINENT BANKER

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Convention Calendar

- Aug. 20-23: Independent Bankers Association of America Seminar/Workshop on One-Bank Holding Company, Colorado Springs, Colo., the Broadmoor.
- Aug. 23-Sept. 4: ABA National Installment Credit School, Norman, Okla., University of Oklahoma.
- Sept. 13-15: Kentucky Bankers Association Annual Convention, Louisville, Galt House.
- Sept. 13-16: ABA National Personnel Conference, Dallas, Lowe's Anatole.
- Sept. 13-16: Bank Administration Institute Community Bank Presidents' Forum, Colorado Springs, Colo.
- Sept. 13-16: Bank Marketing Association Annual Convention, Washington, D. C., Washington Hilton.
- Sept. 17-18: Robert Morris Associates Loan Group Management Workshop, Houston, Galleria Plaza.
- Sept. 20-23: ABA National Bank Card Convention, New Orleans, Hyatt Regency New Orleans.
- Sept. 23-26: ABA International Payment Systems Conference, Scottsdale, Ariz., Camelback Inn.
- Sept. 27-30: National Association of Bank Women Annual Convention, Chicago, Hyatt Regency Chicago.
- Oct. 3-7: ABA Annual Convention, San Francisco.
- Oct. 11-15: Consumer Bankers Association Annual Conference, Hilton Head, S. C., Hyatt on Hilton Head.
- Oct. 18-20: ABA International Banking Conference, New York City, Grand Hyatt Hotel.
- Oct. 18-21: ABA Large Bank Security Seminar/Insurance and Protection Division, Lincolnshire, Ill., Marriott's Lincolnshire.
- Oct. 18-21: Bank Marketing Association Corporate Marketing Conference, Boston, Colonade Hotel.
- Oct. 18-23: Independent Bankers Association of America Bank Executive Development Seminar, Muncie, Ind., Ball State University.
- Oct. 22-23: Robert Morris Associates Loan Group Management Workshop, Chicago, Hyatt Regency Woodfield.
- Oct. 25-31: ABA National Compliance School, Norman, Okla., University of Oklahoma.
- Oct. 25-27: Bank Marketing Association Product Development/Product Management Conference, Phoenix, Hyatt Regency Phoenix.
- Oct. 28-30: Bank Marketing Association Marketing in a Community Bank Workshop, Dallas, Regent Hotel.
- Nov. 8-11: ABA National Agricultural Bankers Conference, Washington, D. C., Sheraton Washington.
- Nov. 8-11: Bank Administration Institute National Convention, Honolulu, Sheraton Waikiki.
- Nov. 8-19: ABA National Commercial Lending School, Norman, Okla., University of Oklahoma.
- Nov. 11-13: Association of Bank Holding Companies Fall Meeting, New Orleans, New Orleans Hilton.
- Nov. 15-18: ABA National Correspondent Banking Conference, Kansas City, Hyatt Regency Kansas City.
- Nov. 15-18: Robert Morris Associates Annual Fall Conference, New Orleans.
- Dec. 1-5: Bank Marketing Association Essentials of Bank Marketing Course — Southwest Extension, Houston, University of Houston.
- Dec. 6-9: Bank Administration Institute Money Transfer Developments Conference, New York City, Grand Hyatt Hotel.
- Jan. 24-27: Bank Administration Institute Bank Productivity Conference (PATH), Atlanta.
- Jan. 25-28: ABA Insurance and Protection Conference of Financial Institutions, New Orleans, Hyatt Regency.
- Jan. 31-Feb. 3: ABA Conference for Branch Administrators, Atlanta, Omni International.
- Feb. 7-10: ABA Bank Telecommunications, Los Angeles, Century Plaza.
- Feb. 7-10: ABA National Trust Conference, New Orleans, Hyatt Regency.
- Feb. 7-19: ABA National Installment Credit School, Norman, Okla., University of Oklahoma.
- Feb. 10-12: ABA Bank Investments Conference, San Francisco, St. Francis Hotel.
- Feb. 23-26: ABA National Compliance Conference, Phoenix, Hyatt Regency.
- Feb. 28-March 3: ABA Community Banks Executive Conference, Dallas, Fairmont Hotel.
- March 2-5: Bank Administration Institute Check Processing Conference, New Orleans, Marriott.
- March 7-10: ABA National Credit Conference, Los Angeles, Century Plaza.
- March 10-12: ABA Corporate/Commercial Marketing Conference, San Francisco, Hyatt Regency.

MID-CONTINENT BANKER for August, 1981

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ABA Insurance/Protection Conference Scheduled

THE ABA will sponsor its first national insurance and protection conference of financial institutions January 25-28 at the Hyatt Regency in New Orleans. According to Donald T. Browne, chairman of the ABA's insurance and protection division and vice president/insurance division, First Atlanta Corp., the conference will have these unique features:

1. It will be the only conference the ABA knows of that will address simultaneously the subjects of security and insurance.

2. The program will be more management oriented than technical. It will address the subjects of communication, cooperation and coordination between the security and insurance functions and other "management"-type subjects of common interest to both disciplines will be scheduled.

3. It will provide a forum for exchange of information between providers of service (insurance-industry rep-

resentatives, brokers, agents, consultants, equipment manufacturers) and bankers.

With the insurance marketplace undergoing drastic changes, continues Mr. Browne, and the rising crime rate in this country, insurance underwriters and brokers are vitally interested in and concerned with the "state of the art" of security for financial institutions. Current interest in areas of employee defalcation and EDP and EFTS security is unparalleled, and bankers' ability to maintain adequate insurance coverages for the banking industry may well depend on their ability to communicate the "security function" to the insurance industry.

"Past approaches to bank security and protection may not be adequate for today's sophisticated banking technology," Carl L. Carter points out. He is conference chairman and vice president/security director, National Bank of Detroit. "With limited knowledge of current security and risk potential, the financial officer can offer his financial institution only limited opportunity to improve loss-prevention and control programs. The conference is structured to communicate ideas that will bring officers up to date on both technology and insurance and protection information."

Two general sessions already are scheduled for the three-day conference, with "Crisis Planning" set for January 26 and "Selling Yourself and Your Program to Management" for January 27. After each session, breakout groups will further develop topic areas with discussion and audience participation.

Management-oriented topics will include: "Anatomy of a Burglary," "Insurance and Protection — Areas of Interaction," "Are Your Employees Getting the Message?," "Exposures You Never Thought of," "ATM Exposures," "Do You Think You Know Your Employees?," "NOW Accounts — Your Involvement and the Effect on Your Program," "Security Officer: You Are Liable for Your Actions — Are You Protected?" and "What Lies Ahead for Financial Institutions — Are You Prepared?"

The final conference day will be devoted to essentials of EFT, with identification of money-transfer systems

such as BankWire, Fed Wire, SWIFT, CHIPS and NACHA — how they operate and identification of potential areas of exposure. A discussion of EFT insurance will include the old bond, EFT rider, new bond and rider and latest EFT-insurance developments. Protection in EFT will relate to employees, line security, equipment, EDP room and wire transfer room.

For further information on the conference, contact: Shelly Davis, Insurance/Protection Division, ABA, 1120 Connecticut Ave., N. W., Washington, DC 20036. ● ●

Father/Son Tennis Match Is Sponsored by Bank

The National Father/Son Indoor Tennis Championship, officially recognized by the U. S. Tennis Association, came into being with the help of Houston's Fannin Bank.

The tournament idea actually was the brainchild of Sammy Giammalva, former tennis pro and now general manager/tennis director, Houston Metropolitan Racquet Club. His own two sons teed on tennis racquets — the younger recently made a spectacular pro debut — and Mr. Giammalva thought it would be a great way to call attention to the younger men who were following in their famous fathers' footsteps.

How did Fannin Bank get involved? According to Culver Turlington, vice president/marketing director, "We felt the opportunity to become identified with a sports event of this nature was worthwhile and focused interest on father/son relationships. The event offered prestigious association — established tennis stars — and their 'future star' sons. We feel the Father/Son Tennis Tournament will continue to grow and attract favorable attention to the bank and to Houston."

Mr. Turlington said the bank is especially fortunate to have a tennis professional with the contacts and organizational skills to handle tournament details — Mr. Giammalva.

In this year's \$20,000 championship matches, Roy and Anthony Emerson retained their title and defeated Sammy Giammalva and Sammy Jr.

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Usury-Rate Override Bill Introduced

AS the federal budget nears completion and Congress can turn its attention to other matters, it's apparent that one of the first items on the agenda of the banking committees will be the question of a federal override of unrealistic state usury-rate laws.

In the Senate, key Banking Committee members have introduced S 1406. The prime sponsor is Senator Richard Lugar (R., Ind.), and he has been joined by Senator Jake Garn (R., Utah), committee chairman; Senator William Proxmire (D., Wis.), former chairman and ranking minority member, and Senator Alphonse D'Amato (R., N.Y.). Other cosponsors are likely to sign up as the bill moves through committee hearings.

This bill would eliminate usury ceilings on all business and agricultural loans and on both open- and closed-end consumer credit. In addition, fees for bank cards would be authorized.

As was the case with the limited-usury override in the Omnibus Banking Law, states would have a three-year period in which they could exempt themselves from provisions of the override.

The ABA has been vigorous in its support of this bill and of HR 2501, introduced by House Banking Committee member John LaFalce (D., N.Y.). The two bills are essentially identical, and ABA President Lee Gunderson, president, Bank of Osceola, Wis., has testified in support of the Senate bill before the committee.

The reception new members of the committees give this bill will be an interesting indication of their thinking about banking issues. In many ways, the bill is a continuation of the interest-rate deregulation that was begun with the limited override contained in last year's Omnibus Banking Law. Among the many other changes brought about by that law: The government has begun to deregulate the liability side of the bank ledger, as seen in the mandate to end Regulation Q limits by 1986 and reform of reserve requirements. Now the usury-override leg-

islation gives Congress an opportunity to act again with respect to the asset side of the ledger. The ABA always has maintained that if a bank must pay market rates for deposits, it should be able to charge market rates for loans.

Although the 97th Congress has been in session for several months, there has been little opportunity for any observers to form a clear impression of the collective attitudes and working patterns of the two congressional banking committees. There are several reasons for this. One simply is that the attention of both Congress and the ABA has been dominated by passage of the national economic recovery plan, which should be completed in the next two months. It has been difficult to get Congress' attention away from what, properly, it has put at the top of its agenda for the first few months of this session. An exception, of course, has been the series of hearings held in May by the Senate Banking Committee. These hearings gave a comprehensive overview of legislative matters of interest to all segments of the financial industry.

However, generally, Congress has been focusing its attention almost exclusively on problems of the budget and other parts of the Administration's economic package.

Another reason that basic attitudes of committee members still are un-

clear is that so many of the members are new to Congress. Of the 40 members of the House Banking Committee, nine are serving their first terms. On the Senate side, three of the 15 members were elected for the first time in 1980.

Changes in the structure of congressional leadership brought about by the November elections also mean these committees will move cautiously in taking any legislative initiatives that will tell the public the way the members are likely to think about banking issues. Both committees have new chairmen, and in the Senate, the whole leadership structure is in Republican hands. For most of the current membership of Congress, this is the first time in their careers that Republicans have controlled either house. Of course, it will take some time for members of both parties to become accustomed to this situation.

When the debate over the national economic recovery plan finally is ended, the banking committees will resume the work of deregulating the banking industry. Congress generally is thought to be more open to long-needed reforms than at any time in recent history. The public and banking community are awaiting their first opportunity to determine how the new Congress will act on specific banking issues. ●●

ABA Voices Support of Bill To Override State Usury Laws

THE economic health of the consumer-credit industry depends on reform of unrealistic interest-rate ceilings, ABA President Lee Gunderson told the Senate Banking Committee last month. He was stating the ABA's support of proposals for federal preemption of state usury ceilings.

Mr. Gunderson, president, Bank of Osceola, Wis., pointed out that, with increasing costs of funds to financial institutions and upward pressure on interest rates, banks located in states

with restrictive usury ceilings are unable to meet their customers' credit needs, particularly in the consumer-loan area. As a result of these pressures, he said, the need for federal preemption of all state usury ceilings has become a major goal of the financial industry.

Mr. Gunderson emphasized that individual states have *no* impact on factors associated with the cost of a financial institution's management of its liabilities (e.g., deposits). It is the

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

ON DECEMBER 3, 1913 WE LAID THE CORNERSTONE FOR THE ATM ENCLOSURE CONCEPT.

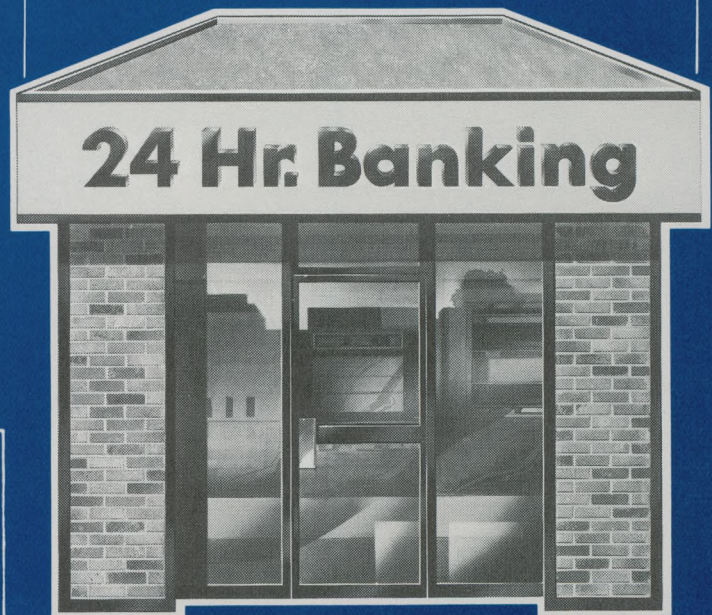
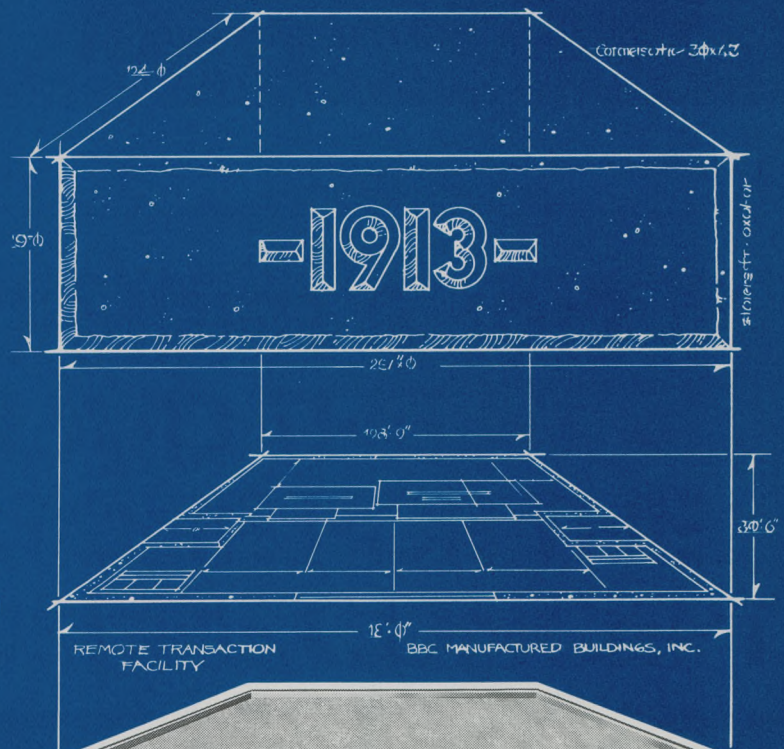
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federal government, the ABA head continued, which has intervened to regulate the liability side of the ledger.

"Recent congressional initiatives such as the phasing out of Regulation Q and imposition of universal reserve requirements, which financial institutions must maintain on certain deposits, have a major impact on costs associated with a depository institution's management of its liabilities," Mr. Gunderson testified. "These factors, when coupled with the effect of competition among financial intermediaries for deposits (which Congress has decided not to regulate), amplify the need for federal intervention to deregulate the asset side of the ledger (e.g., loans).

"As costs associated with extending credit approach or exceed the usury ceiling, the market is constrained from working freely and thus is unable to allocate credit in the most effective manner.

"The adverse impact of restrictive usury ceilings is greatest on the less-sophisticated and less-affluent customers, as well as first-time credit seekers, who can least afford being shut out of the credit market. Since the risk premium generally is greatest for these customers, they either will be shut off totally from legitimate credit markets when the cost of granting loans approaches the usury ceiling or will be able to obtain credit only under much more stringent terms, such as higher down payments and shorter maturity, which they often can ill afford."

Addressing himself to the provision allowing bank-card fees, Mr. Gunderson pointed out that existing prohibitions on such fees in many states create an unfair burden on lower-income card holders and contribute significantly to the unprofitability of bank-card programs.

Mr. Gunderson was referring to the card holder who uses his bank credit card simply as a convenient payment device — as a cash or check alternative — without incurring an interest charge. Such a card user, he said, is being subsidized by those other active accounts who pay charges over a period of months, and the card issuer incurs the same processing expenses and cost of funds extended during the "free-use" period while earning no finance or usage charge. ● ●

Bank Appoints Council Of Residents as Guide On Serving Its Market

In an effort to continue developing innovative and unique methods of research to better serve its market, Murfreesboro (Tenn.) Bank has established a 20-member community council. It meets quarterly to help the bank keep its finger on the pulse of Rutherford County, in which the bank is located.

The council, which represents a cross-section of the bank's primary market, is expected to serve as an ongoing conduit of information on the area's current and future banking needs. The council also is expected to

play an important role in letting the bank know how people feel about its day-in and day-out performance.

Murfreesboro Bank also plans to use the council as a focus research group in its continuing examination of new banking services.

When Jack Weatherford, chairman/CEO of the bank, announced formation of the council last spring, he said, "As we move further into the 1980s, it is becoming increasingly important for financial institutions to be mindful of the changing needs of both their customer bases and of their communities as a whole. This is why we believe our community council gives us an important new dimension that can have a major effect on decisions by our management."



Community council appointed by Murfreesboro (Tenn.) Bank to help it continue to serve its market is composed of: (front row, l. to r.) Vivian Carpenter, marketing rep.; Dr. James Garner Jr.; Mary Keeble Huddleston; Dr. James Bishop; John Hood, s.v.p./marketing; Mary Scales, educator; Ed Shires, Murfreesboro Medical Clinic; Dennis Brown, North American Car Corp.; and William Burton, attorney; (back row, l. to r.) David Hopper, v.p./t.o.; Tom Batey, Batey's Office Equipment; Robert B. Mifflin, s.v.p.; Don McClaran, McClaran-Robertson Realty; Dan Mitchell, farmer, Christiana, Tenn.; William Greene, v.p./business and finance, Middle Tennessee State University; A. C. Puckett, mayor, LaVergne, Tenn.; Julian Goodpaster, minister; George Law, Blue Bird of Tennessee; Larry Haynes, Haynes Brothers Supply; Dr. Fred Lovelace and Kenneth Victory, Crosslin Supply Co., Smyrna, Tenn.

Exec. Development School Sponsored by Consumer BA

Developing "people" skills in bank managers is the goal of the Executive Development School for Bankers, a week-long intensive-training session sponsored by the Consumer Bankers Association (CBA) in conjunction with the McIntire School of Commerce, University of Virginia.

At the school, to be held October 18-23 at the University of Virginia, Charlottesville, instructors will work with participants to help them develop the two skills deemed most important for an effective bank administrator: "human skill" — the ability to work through and with people to accomplish organization goals; and "conceptual skill" — the ability to grasp and understand the complexities of the total organization.

Classes will focus on management relations, non-verbal communication, strategic management, leadership, motivation, conflict management and decision-making.

A management practices index, a confidential survey of the participants' subordinates, is taken before the resident session. A summary of the results is prepared and shared with the participants during individual counseling sessions, giving them an opportunity to interpret candid feedback from their employees.

Admission to the school is limited to 36 bankers and is open to graduates of three-year banking schools or candidates with a title of vice president or higher with a minimum of five years' banking experience.

For more information, write: Susan Gowin, Consumer Bankers Association, 1725 K Street, N. W., Suite 1410, Washington, DC 20006.



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Union National Bank's new Personnel Consulting Agency:

Professional financial people placing professional financial people.

For years, banks and savings and loan institutions have located people to fill key managerial positions through "specialized" employment agencies, through the industry grapevine, or simply by advertising in the "Help Wanted" section of the newspaper.

But now, there's a financial management personnel placement service run by professionals. It's the Union National Bank Personnel Consulting Agency and it's headed up by Joe Zegler, Senior Vice President and Union's Personnel Director.

Joe is the dean of Arkansas bank personnel directors, with more than 25 years'



experience in personnel management. He is president of the Arkansas Personnel Association and he originated the first Personnel Committee of the Arkansas Bankers Association. Joe has conducted two statewide seminars for bank personnel and chief executive officers.

So if you're looking for that special individual to round out your management team, don't rely on a classified ad, or the

grapevine, or a "specialized" employment agency that places financial personnel one moment and salesmen the next.

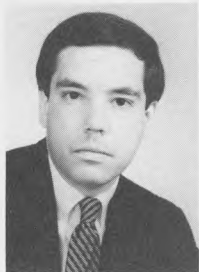
Call us, instead. Because we **are** specialists in placing financial management personnel.

For all the details on the Union National Bank Personnel Consulting Agency, call Joe Zegler today at (501) 378-4257 or in Arkansas call toll free 1-800-482-8450.

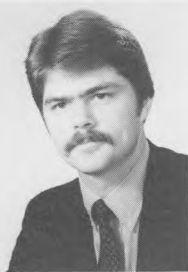


**Union
National
Bank**
OF LITTLE ROCK
MEMBER FDIC

NEWS OF THE BANKING WORLD



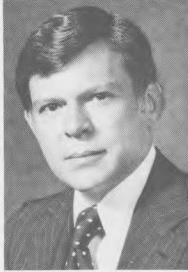
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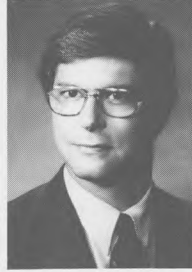
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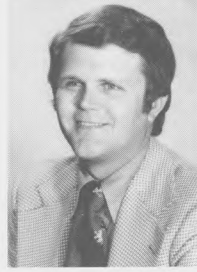
KEEHN



HEIMANN



ANDERSON



TALKINGTON

Silas Keehn became president of the Chicago Federal Reserve Bank July 1. He succeeds Robert P. Mayo, who retired March 31 at 65. Since March, 1980, Mr. Keehn had been chairman, Pullman, Inc., Chicago. Before going to that firm, he had spent his entire career with Pittsburgh's Mellon Bank and its parent HC, Mellon National Corp., also in Pittsburgh. He joined Mellon Bank in 1957 and held various management positions in domestic commercial-lending activities, including service as head of the Middle Western division. Subsequent posts at the bank were: vice president/international, London; vice president and division head, national department; senior vice president and head of that department and executive vice president. In 1979, Mr. Keehn became vice president of the HC and, early in 1980, vice chairman of the HC and bank.

John G. Heimann, who resigned as Comptroller of the Currency May 15, last month joined Warburg Paribas Becker-A. G. Becker, Inc., New York City, as managing director/chairman of the executive committee. Mr. Heimann, who was appointed Comptroller by President Jimmy Carter in 1977, has had a career that included being New York's superintendent of banks, commissioner of New York state's Division of Housing and Community Renewal and consultant to Robert Weaver when he was Secretary of Housing and Urban Development (HUD). Mr. Heimann also has worked for two Wall Street firms.

Jim Talkington has been promoted to senior vice president and Terry Anderson to vice president, both in the correspondent banking department, at

Liberty National, Oklahoma City. Mr. Talkington travels in Oklahoma, Texas and Kansas. Mr. Anderson is the correspondent officer in charge of the western Oklahoma, southwest Kansas and west Texas regions.

John S. Archer has been elected a commercial banking officer, Missouri-Kansas department, Commerce Bank, Kansas City. He joined the bank in 1974 and calls on banks in Kansas. Michael J. Petrie, with Commerce since 1979, has been elected a commercial banking officer/agribusiness department. He works with corre-

spondent banks in Kansas and Missouri.

Continental Bank, Chicago, has opened regional offices in Minnesota and Michigan. The Minnesota office, located in Minneapolis, is managed by Vice President David G. Handy. It is responsible for Continental's commercial-banking business, including correspondent-bank relationships, in Minnesota, North and South Dakota and Montana. Stephen W. Scheetz, vice president, manages the Michigan office, located in Evergreen, near Detroit. This office directs Continental's commercial-lending activities in southeastern Michigan. The bank also has regional representative offices in Dallas, Houston, Cleveland, Denver, Los Angeles, New York City, San Francisco and Seattle.

Huibert A. H. Soutendijk has been promoted to president, Northern Trust International Banking Corp., New York City, an Edge Act subsidiary of Chicago's Northern Trust. He had been vice president/manager since 1975. Joaquin P. Viadero has been promoted to president and Rafael Madan to vice president/manager, Northern Trust Interamerican Bank, Miami, also an Edge Act subsidiary of Northern Trust. Mr. Viadero had been vice president/general manager.

Angelo R. "Buddy" Bianchi, New Jersey banking commissioner, has begun another term as chairman/president, Conference of State Bank Supervisors. He is the first person ever to be elected to a second consecutive term as CEO of the group. Also reelected were Michael D. Edwards, Washington state banking supervisor, as CSBS

Killed at Hyatt Regency

J. Robert Bolton, 63, vice president/commercial banking division, Boatmen's National, St. Louis, and his wife, Julia, 52, were among those killed July 17 in the collapse of two walkways at Kansas City's Hyatt Regency Hotel.



Mr. Bolton joined the bank in 1952, working first in the business development department and joining the correspondent banking division in 1955. He was made an assistant vice president in 1957 and elected vice president/commercial banking in 1967.

Survivors include two children, Douglas and Ruth Ann Bolton.

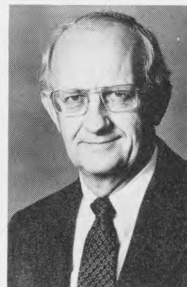
president-elect and Sidney A. Bailey, Virginia commissioner of financial institutions, as vice president. Mr. Bianchi named Charles L. Childers, president, Tyler (Tex.) Bank, advisory council chairman.

Dennis M. Kennedy, senior vice president/cashier, United States National, Omaha, has been elected president, Mid-America Automated Clearinghouse Association (MACHA). Robert E. Hogue, senior vice president, Liberty National, Oklahoma City, and former MACHA president, continues as an advisory director. Also elected to MACHA posts were: to vice president, Loren R. Anderson, executive vice president, National Bank of Commerce, Lincoln, Neb.; and to treasurer, John J. Cipriano, vice president/corporate services, Bank of Oklahoma, Tulsa. John P. Borden continues as executive director/secretary.

John D. Mangels, president, Rainier National, Seattle, is the newly elected president of Robert Morris Associates. He succeeds Robert H. Duckworth, executive vice president, First Interstate (formerly First National) of Arizona, Phoenix. Other new RMA officers are: first vice president, Douglas W. Dodge, executive vice president, Mercantile-Safe Deposit, Baltimore; and second vice president, Jack R. Crigger, executive vice president, American National, Chattanooga, Tenn.



NORTON



MANGELS

George D. Norton, executive vice president/cashier, Philadelphia National, has been elected chairman, Bank Administration Institute. He succeeds N. Berne Hart, president/chairman/CEO, United Banks of Colorado, Denver. Elected chairman-elect was William H. Dougherty Jr., president, NCNB Corp., Charlotte. N. C. Emile A. NeJame, senior vice president/controller, Bankers Trust, New York City, remains secretary/treasurer.

Banking Issues/Strategies To Be Studied by BAI In Its New Center

PARK RIDGE, ILL. — The Bank Administration Institute (BAI) has established a Center for Banking Issues and Strategies. BAI President Ronald G. Burke, in announcing the center, cited a commitment to the examination and interpretation of evolving banking issues and formulation of workable solutions.

Susan E. Rau is the center's director. She is a BAI principal systems specialist who joined the institute in 1980. Previously, she had worked as an operations officer/staff consultant at Chicago's Continental Bank.

Two lead projects currently are underway. The first is a research project on strategic planning. Out of this work will come a strategic-planning package for use in the planning process in banks ranging from \$200 million to \$1 billion in assets.

The second major project is a research program exploring "Current Competitive Impacts on Community Banks." Here, the BAI will undertake a long-range assessment of competitive and deregulatory factors and their relationships to the future of community banks. The research will probe market and project trends affecting the financial-services industry, impact of these trends on community banks and community-bank performance, appropriate responses to specific problems that arise from the trends and community-bank product and service offerings.

In the future, according to Mr. Burke, the center will be working on major issues dealing with the future of financial services in the context of projected competitive, deregulatory and consumer influences, marketing strategies, interstate banking and a changing technical framework established by the BAI's volunteer banker commission.

Further information on the center is available from: Susan E. Rau, Director, Center for Banking Issues and Strategies, Bank Administration Institute, 303 S. Northwest Highway, Park Ridge, IL 60068.

Prochnow GSB Post Open

MADISON, WIS. — A nine-member committee now is seeking candidates to head the Herbert V. Prochnow Graduate School of Banking at the University of Wisconsin. The committee is headed by Robert C. Nelson, chairman of the school's board of trustees and executive vice president, Indiana Bankers Association.

The position will be vacated September 15 by Herbert V. Prochnow, who will retire after having headed the school since its beginning in 1945.

The school formerly was known as the Graduate School of Banking, but was renamed last December in honor of Mr. Prochnow, a retired officer of Chicago's First National.

The committee is looking for someone to fill the salaried, part-time, five-year term and be the school's top official and chief spokesman in promoting its objectives and extending its contribution and influence. Permanent administrative offices are maintained in Madison.

All academic activities related to the school, which has an annual enrollment of 1,600, come under the direct or functional control of this position. The school is sponsored by the 16-member Central States Conference of Bankers Associations.

Those wanting to be considered for the post or who want to suggest someone for it should contact: Robert C. Nelson, Executive Vice President, Indiana Bankers Assn., 929 Electric Bldg., 25 Monument Circle, Indianapolis, IN 46204.

Changes at BAI

PARK RIDGE, ILL. — The Bank Administration Institute (BAI) has created four directorates and promoted key executives to head the newly established posts.

Reporting directly to BAI President/CEO Ronald G. Burke are: David Van L. Taylor, executive vice president/banking services; Wayne B. Lewin, executive vice president/education; R. Gerald Fox, executive vice president/communications; and Michael G. Glass, executive vice president/finance and membership.

Mr. Taylor was senior vice president and director/banking services. Mr. Lewin recently returned to the BAI after a year as vice president/operating services planning, Northern Trust, Chicago. Previously, he had been with the institute from 1976-80. Mr. Fox formerly was senior vice president and director/communications division. Mr. Glass was vice president/community banking and assistant to the president. A former banker, he once was president, Wichita State, and vice president/cashier, Southwest National, Wichita.



CONDENSED STATEMENT OF CONDITION

AS OF JUNE 30, 1981

RESOURCES

Cash and Due from Banks.	\$ 231,919,505.72
U. S. Treasury Securities.	461,023,028.62
Obligations of States and Political Subdivisions.	55,114,273.03
Federal Reserve and Corporate Stock.	1,507,149.88
Federal Funds Sold and Securities Purchased Under Agreements to Resell.	850,000.00
Loans.	983,849,202.73
Less: Valuation Portion of the Reserve For Possible Loan Losses.	<u>7,482,097.12</u>
	976,367,105.61
Bank Premises and Equipment.	13,247,895.23
Other Real Estate.	6,000,882.11
Customers' Acceptance Liability.	85,154.65
Accrued Income Receivable.	27,092,221.46
Other Assets.	<u>9,514,312.28</u>
TOTAL.	<u>\$ 1,782,721,528.59</u>

LIABILITIES

Deposits.	\$ 1,413,172,275.58
Federal Funds Purchased, Securities Sold Under Agreements to Repurchase and Note Option Account.	170,131,303.43
Acceptances Outstanding.	85,154.65
Dividend Payable July 1, 1981.	5,347,680.00
Special Dividends Payable.	2,158,296.94
Accrued Taxes, Interest and Expenses.	24,739,297.27
Deferred Income Tax Portion of the Reserve For Possible Loan Losses.	<u>1,692,027.20</u>
TOTAL LIABILITIES.	<u>\$ 1,617,326,035.07</u>

CAPITAL ACCOUNTS

Capital Stock.	\$ 2,800,000.00
Surplus.	47,200,000.00
Undivided Profits.	112,699,456.10
Capital Portion of Loan Loss and Securities Reserves.	<u>2,696,037.42</u>
TOTAL CAPITAL ACCOUNTS.	<u>\$ 165,395,493.52</u>
TOTAL.	<u>\$ 1,782,721,528.59</u>



The Banking Scene



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

Gresham's Law and Cash Discounts

GRESHAM'S LAW is named after Sir Thomas Gresham, master of England's mint in the 16th century. Asked by his sovereign why certain of that nation's currency circulated rapidly and other parts were hoarded, his classic response was "Bad money drives out good."

If we declare all types of money equal in value-purchasing power, they must actually be kept equal in value or buying power. If they are not, undervalued money will be hoarded, exported to places where its true value is recognized or, in the case of metallic money, be marked down for sale in the bullion market. Overvalued cheaper money will be kept in circulation. Sir Gresham's law applies to any money system and to all types of money.

It's interesting to conjecture about some current money developments and how the law of Gresham will react to them. The U. S. Senate has passed SB 414, the Cash Discount Act. It's similar to HR 31, which passed the House earlier.

The legislation prohibits the Federal Reserve from implementing the act and calls for a two-year study on the "effect of charge-card transactions on card issuers, merchants and consumers. . . ." The fact that the Fed will need two years to study charge cards is part of the economic malaise that's affecting our society. In the desire not to rock the boat, one delays taking action.

A few months ago I was visiting a bazaar in Cairo, Egypt, with friends. The merchants there typically don't post the price of the goods they sell, realizing a preference for the art of bargaining on the part of the typical Egyptian — not to mention the touring American. I'm not very good at haggling, but some friends who were with me enjoy the phenomenon.

One of the first steps in haggling is to mentally discount what the product probably will sell for. Thus an item

priced at 100 Egyptian pounds by the merchant probably will sell for 65 pounds eventually. However, the would-be purchaser doesn't accept the fact that 65 will be the probable amount and makes a counteroffer of 50 pounds. The merchant makes a counteroffer of, say, 75 pounds and gradually — depending on the skill of the bargainer — a price finally is struck.

Should a debit-card transaction be considered a cash transaction and entitled to a cash discount?

I learned that you must be willing to walk out of a shop, and if the merchant doesn't follow you, it may indicate that you have misjudged the point at which he will sell. However, the fact that you have knowledge of the bargaining in that particular stall or shop permits you to move down the crowded streets and start again with another merchant offering the same product.

If one is dealing in fairly high priced merchandise, another element is introduced. In this case, the use of American dollars probably will be able to save another 10% or 15% for the buyer. Thus, one had to convert the American dollar into the current exchange rate and consider it as worth 10% to 15% more than that rate. If one doesn't have American currency but has traveler's checks, these too are valued at a premium over the Egyptian pound, but at a lower premium than American currency.

The larger jewelry shops accept both Visa and Mastercard as well as some European credit cards. Here one has mixed reactions. In one jewelry store the merchant would give a premium for the credit card over the Egyptian pound, but discounted from American currency. In another shop, the credit card was accepted at the

official rate of exchange.

With some exceptions, the American culture doesn't encourage or support bargaining.

This may be changing as a result of the Senate's Cash Discount Act, which appears likely to pass but in a considerably different form than that which was originally proposed. One of the Federal Reserve governors has said she didn't wish there to be more than a 5% discount for cash. However, wiser heads prevailed and pointed out that setting a figure could result in a truth-in-lending situation with disclosure and the like. The argument that the amount of cash discount should be left to the individual merchant and the market won out.

Since the Fed can't implement the regulation until the two-year study has been made, time is provided for merchants, banks, credit-card holders and debit-card holders to consider the alternatives.

There appears to be a rather schizophrenic attitude on the part of credit/debit card issuers. One prefers what we may call the right of privacy; that is, one in which it isn't apparent whether the individual with the card is using a credit or a debit approach.

Whether the other major card is a debit or credit card is fairly easily determined. If the debit card is tied to an electronic transfer system, the account of the purchaser immediately is debited and the account of the merchant immediately is credited, providing the transaction is approved. The merchant pays a transfer fee.

However, with the use of a credit card, the merchant's account is immediately credited when the items are deposited with the bank, less the service charge. The bank, however, is providing credit for a period in the approximate range of about 45 days. Today, in many places debit cards wouldn't be processable by electronic fund switching. This is because not

CORRESPONDENT QUIZ

1. Who has the fastest-growing Correspondent Bank Department in the South?

2. Who was the first to offer seminars on new banking regulations and laws featuring leading national advisors and government officials?

3. Who continues to offer those seminars and regular updates on how to maximize profits at no cost to correspondents?

4. Who offers correspondents special insurance programs at low group rates?

5. Who is big enough to handle every correspondent need, yet small enough to handle each one of them, one at a time, with expert personal attention?

6. Who gives you senior experience and expertise on everything...from transit, data processing, Visa and MasterCard, draft collection, investments, federal funds, safekeeping, credit assistance, loan participation, trust services, wire transfers and business referrals...to seasoned advice on advertising, marketing, personnel training and even the design and supply of bank facilities?

7. Who are you going to call at the following numbers? 1-800/582-6277, in Tennessee
1-800/238-7477, in other states



TO: Correspondents

FROM: Lynn Hobson, Gus Morris
Jim Newman

RE: Meeting your needs

Thought you might be interested in this. Remember, only one bank has all the answers...

Lynn Gus Jim

many merchants are tied on-line to the system. To the extent that the funds aren't switched electronically, there will be float. While debit-card float isn't as extensive as credit-card float, it still can be important as volume builds up.

It's interesting to think what may go through a merchant's mind when confronted with the selection of currency, a credit card, a debit card or a check. A

cash discount, say, of 5% to 10% flatly applied to all transactions has a simplistic appeal for cash transactions. To a somewhat lesser extent — since in the future there will be an almost instantaneous transfer on the debit card — should a debit card transaction be considered a cash transaction and therefore be entitled to a cash discount?

An affirmative reply raises the ques-

tion of how the tradeoff between cash discount and float will be handled and viewed by the purchaser. Undoubtedly there will be considerable variations on how people react, depending on age, market segmentation and other demographics.

It even can be varied by the time of day. I recently talked with a merchant about the use of checks, credit cards and the like. It was that manager's contention that there were substantial variations between individuals who shopped during the day and those who shopped in the evening. The latter tended to be younger and therefore not as well established with credit. They also tended to have a lower unit purchase price for their total bill. They tended to purchase more convenience goods with higher markups, but total amounts were considerably lower than those of the people who shopped during what would be considered morning and afternoon.

There's no doubt that a number of credit-card holders have stopped using cards due to the jump in interest-rate ceilings in some states. Whether this is a short-term situation that may reverse itself isn't known at present.

Another issue is whether the cash discount should be tied to the total bill or to the product. To illustrate: jewelry and furniture typically have a much higher markup than do groceries. Thus a jewelry and furniture store typically could offer a higher cash discount than could a supermarket. Similarly, the average-purchase bill total will vary from store to store.

Should a cash discount, say, of 2% be extended on purchases of under \$20, 3% from \$20 to \$40, 4% scaled upward, or should a more simple approach be adopted? It will be fascinating to see how advertisements can be phrased competitively if discounts are on a sliding scale. Undoubtedly the Ralph Nader types will insist on a truth-in-cash-discount law!

When all is said and done, no matter what the Fed wishes you, the merchant, the banker, the credit-card organizations or the debit-card organizations to do, the fact remains that the customer is in the driver's seat. To the extent that he or she perceives one transaction media to be better than another, he or she will utilize that prerogative.

Until now, many individuals have been enamored with the float associated with the credit card. Whether credit/debit cards will become more attractive rests in a fundamental way on Gresham's law. No regulators can abrogate it! ● ●



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.

The following questions and answers relate to changes in disclosures as a result of Regulation Z simplification:

Q. Is there any specific requirement that disclosures be separate from all other information?

A. No. Disclosures may be made on the same page as the note, on separate pages, on back of note or security agreement. The only requirement is that all required disclosures be made together and separated from other information by lines or other means.

Q. In an itemization of the amount financed, where it has been requested by the customer, may similar items be grouped or must they be individually listed?

A. Any amount paid to third parties must be itemized separately by party, with an identification of the party except that public officials or government agencies and credit-reporting agencies may

be identified as "state agency" or "credit bureau." Any fees paid in cash would not need to be included in any itemization since they have not been financed.

Q. If the creditor gives customers the option of whether they wish to receive itemization of the amount financed and the customers fail to check either box, how will this be treated?

A. It is necessary for the customer to check either yes or no to avoid a violation by the bank.

Q. What is the proper method to be used in disclosing on wraparound financing?

A. Wraparound loans are considered new transactions and disclosures would be made as for a refinancing. Additional funds advanced under this type financing would be subject to rescission if the property involved in the transaction is the customer's principal residence.



First Commerce Corporation and First National Bank of Commerce

New Orleans

Member FDIC

CONSOLIDATED STATEMENT OF INCOME

(In Thousands)

Six Months Ended
June 30,

1981 1980

INTEREST INCOME		
Interest and fees on loans and leases	\$32,284	\$29,720
Interest on obligations of states and political subdivisions	2,293	1,342
Interest on other investment securities	17,681	11,066
Dividends on corporate stock	857	611
Interest on short-term investments and bank deposits	22,148	17,412
Total interest income	75,263	60,151
INTEREST EXPENSE		
Interest on NOW account deposits	578	
Interest on savings deposits	2,435	2,647
Interest on other consumer time deposits	5,463	3,795
Interest on time deposits of \$100,000 and over	15,937	10,262
Interest on foreign branch time deposits	1,721	2,549
Interest on short-term borrowings	24,079	15,455
Interest on long-term debt	663	919
Total interest expense	50,876	35,627
NET INTEREST INCOME	24,387	24,524
PROVISION FOR LOAN LOSSES	2,190	2,220
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	22,197	22,304
OTHER INCOME		
Service charges on deposit accounts	1,573	1,060
Credit card merchant discounts	1,584	1,148
Computer services	564	500
Trust department fees	882	516
Other operating revenue	1,540	680
Total other income	6,143	3,904
	28,340	26,208
OPERATING EXPENSE		
Salary expense	7,294	6,337
Employee benefits	1,752	1,629
Total personnel expense	9,046	7,966
Net occupancy expense	1,481	1,417
Equipment expense	1,698	1,534
Litigation settlement	1,114	
Other operating expense	4,725	4,162
Total operating expense	18,064	15,079
INCOME BEFORE INCOME TAX EXPENSE AND SECURITIES TRANSACTIONS	10,276	11,129
INCOME TAX EXPENSE	2,650	3,509
INCOME BEFORE SECURITIES TRANSACTIONS AND EXTRAORDINARY ITEM	7,626	7,620
Investment securities transactions	(11,626)	(10,866)
Income tax effect	5,336	4,998
Net securities losses	(6,290)	(5,868)
INCOME BEFORE EXTRAORDINARY ITEM EXTRAORDINARY ITEM	1,336	1,752
	1,068	
NET INCOME	\$ 2,404	\$ 1,752
EARNINGS PER SHARE		
Primary		
Income before securities transactions and extraordinary item	\$ 2.76	\$ 2.98
Income before extraordinary item	\$ 0.48	\$ 0.69
Net income	\$ 0.87	\$ 0.69
Fully diluted		
Income before securities transactions and extraordinary item	\$ 2.34	\$ 2.36
Income before extraordinary item	\$ 0.48	\$ 0.63
Net income	\$ 0.80	\$ 0.63
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	2,763	2,555

CONSOLIDATED BALANCE SHEET

(In Thousands)

June 30,

1981 1980

ASSETS		
Cash and due from banks	\$ 250,977	\$ 171,059
Due from banks - time	97,164	65,789
Investment securities:		
U.S. treasury securities	220,361	161,337
Obligations of U.S. agencies and corporations	10,017	59,470
Obligations of states and political subdivisions	61,777	56,112
Other bonds, notes, debentures and corporate stock	18,861	18,882
Total investment securities (market value \$297,722,000 and \$309,007,000, respectively)	311,016	295,801
Other short-term investments	118,550	211,750
Loans and leases	417,031	396,604
Allowance for loan losses	(10,269)	(8,108)
Unearned income	(9,949)	(10,538)
Total net loans and leases	396,813	377,958
Bank premises and equipment	14,327	14,052
Accrued interest on securities and loans	18,528	13,610
Other assets	13,564	6,912
Total assets	\$1,220,939	\$1,156,931
LIABILITIES		
Deposits in domestic banking offices:		
Demand deposits	\$ 447,742	\$ 388,921
NOW account deposits	26,464	
Savings deposits	89,816	100,420
Other consumer time deposits	98,945	85,719
Time deposits of \$100,000 and over	217,204	178,517
	880,171	753,577
Foreign branch time deposits over \$100,000	21,798	35,097
Total deposits	901,969	788,674
Short-term borrowings	199,883	241,390
Accrued interest payable	9,183	9,806
Accounts payable and other accrued liabilities	23,773	32,286
Long-term debt	14,386	21,065
Total liabilities	1,149,194	1,093,221
STOCKHOLDERS' EQUITY		
Common stock, \$5 par value		
Authorized - 10,000,000 shares		
Issued - 2,910,049 and 2,658,519 shares, respectively	14,550	13,293
Capital surplus	35,300	31,196
Retained earnings	23,318	20,917
	73,168	65,406
Less - 61,078 and 71,518 shares of common stock in treasury, respectively, at cost	(1,423)	(1,696)
Total stockholders' equity	71,745	63,710
Total liabilities and stockholders' equity	\$1,220,939	\$1,156,931

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

FIRST NATIONAL BANK OF COMMERCE SENIOR MANAGEMENT

THOMAS G. RAPIER
President and Chief
Executive Officer

EDWARD L. LOWDER
Chairman of the Board

FRANCIS C. DOYLE
Chairman of the Board — Emeritus

IAN ARNOF
Executive Vice President
Chief Financial Officer

A. PEYTON BUSH III
Executive Vice President
Chief Banking Officer

MICHAEL A. FLICK
Executive Vice President
Chief Credit Policy Officer

MICHAEL JESSE SHANNON
Executive Vice President
Commercial Banking Division

CHRISTOPHER B. YOUNG
Executive Vice President
Chairman, Senior Loan Committee

W. STANLEY BLACK
Senior Vice President
Retail Banking and Marketing
Division and International
Department

A. JAMES DURICA
Senior Vice President
Financial Reporting and
Control Division

JACK W. PARKER
Senior Vice President
Financial Management and
Investments Division

JOSEPH C. WHITE
Senior Vice President
Economist

JOSEPH V. WILSON III
Senior Vice President
Operations Division

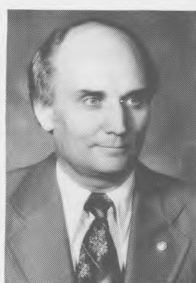
Bush, Garn, Kemp Invited to Speak at BMA Convention



HUCK



WHEAT



GARN



HALE



BUSH



ROGERS

VICE PRESIDENT George Bush; Jake Garn, U. S. senator and chairman, Banking, Housing and Urban Affairs Committee; and Jack F. Kemp, U. S. representative and House Republican conference chairman, have been invited to address the 66th annual convention of the Bank Marketing Association (BMA) when it convenes September 13-16 in Washington, D. C.

More than 2,000 bank marketing professionals are expected to attend the convention, with sessions scheduled on all phases of bank marketing, including advertising and promotion, business development, sales training, electronic banking, marketing management, marketing research, special-interest issues and strategic planning.

Presentations will be made in a variety of program formats, including five general sessions, 15 departmentals, 17 workshops, two luncheon sessions and three dawning sessions, as well as informal rap sessions.

More than 150 suppliers will exhibit products pertaining to the banking industry. The products include display, marketing, public relations, training and research services, along with bank equipment and advertising specialty products.

More than 60 speakers have been invited to address the meeting. Headliners in addition to Messrs. Bush, Garn and Kemp, include Dhan G. Mukerji, president, MacDonald Motivational Research Center; Leo Cherne, executive director, Research Institute of America; Nat S. Rogers, chairman, First City National, Houston; Joseph W. Ostrow, executive vice president, Young & Rubicam; Kenneth J. Rudnick, vice president, Continental Bank, Chicago; and Willis

Interstate Banking Talk

"Interstate Banking: It Is Here and There Is Much More to Come," is the title of a talk scheduled for the BMA convention in September.

The speaker will be Orin Kramer, former associate director of the White House domestic policy staff during the Carter Administration. Mr. Kramer is the principal architect of the White House report on interstate banking and now is a consultant to banks for McKinsey & Co., New York City.

Following the talk, a panel discussion will assess the implications of Mr. Kramer's message. Among the panelists will be L. J. Hebert Jr., president, LaFourche National, Thibodaux, La.

J. Wheat, executive vice president, Liberty National, Oklahoma City.

Ronald Hale, executive vice president, City National, Bryan, Tex., is BMA president.

Prior to the convention, BMA members will elect new officers. Those nominated include Leonard W. Huck, executive vice president, Valley National, Phoenix, as president; Richard M. Rosenberg, vice chairman, Wells Fargo Bank, San Francisco, as first vice president; Barry I. Deutsch, vice president, Mellon Bank, Pittsburgh, as second vice president; and James W. Wentling, corporate vice president/marketing, Flagship Banks, Miami, as treasurer. Among the nominees for BMA directors is H. F. (Hal) Means Jr., senior vice president, Peoples National, Tyler, Tex. New officers and directors will take office during the convention.

In addition to its annual "best of TV" and "best of radio" competitions, the BMA is including a new competition, "best of print," in its 1981 bank advertising awards program.

Winners in the three competitions will receive certificates of excellence. In addition, the top 30 "best of TV" commercial entries will appear in a full-length feature film to premier at the convention and winning "best of radio" commercials will be incorporated into an audio cassette program. Ads judged as representing the finest financial print advertising will be displayed at the convention.

Categories for the new "best of print" competition include newspaper and magazine ads, internal/external brochures and newsletters, sales promotion pieces, specialty advertising materials, outdoor transit advertising and direct mail. ●●

Ag-Marketing Conference Set for Oct. in K.C.

Developments in agricultural technology, changing trends in marketing techniques and advances in electronic communication tools will be presented at the 1981 National Agri-Marketing Association outlook conference, set for October 19-20 at the Crown Center Hotel, Kansas City.

Theme for this year's conference will be "Keeping Up or Catching Up — Profiting From Trends in Agri-Marketing." The conference is open to all marketers, communicators, lenders, educators, farmers and other professionals with an interest in agricultural marketing.

More information is available from NAMA, National Outlook Conference, 8340 Mission Road, Suite 112, Prairie Village, KS 66206.

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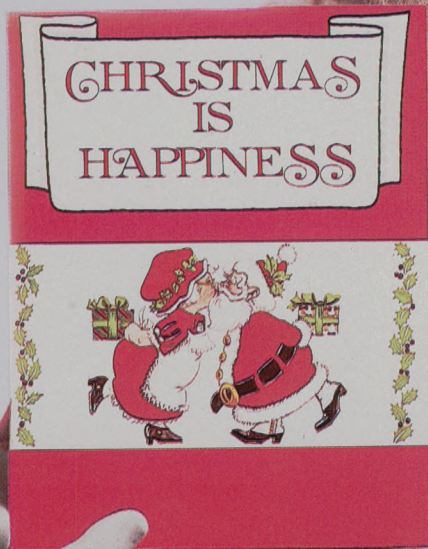
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Bank-Capital Definition Broadened

A BROADENED definition of bank capital has been supplied to the three federal bank regulatory agencies for use in determining adequacy of capital in banks they supervise.

The definition was proposed by the Federal Financial Institutions Examination Council, which requested comment by August 31. Purpose of the proposal is to promote uniformity among federal bank regulators.

Bank capital should be defined as consisting of two elements — primary and secondary capital, according to the proposal.

Primary capital would consist of common and perpetual preferred stock, surplus and undivided profits, contingency and other capital reserves, mandatory convertible instruments and 100% of the allowances for possible loan losses.

Secondary capital would consist of limited-life preferred stock and subordinated notes and debentures, according to the proposal. Secondary capital would (1) amount to no more than 50% of the amount of primary capital, and (2) financing instruments in secondary capital would be phased out of the bank's capital as they approached maturity.

The council noted that the three agencies — the Fed, the FDIC and the Comptroller of the Currency — would continue to stress the importance of an adequate level of primary capital for the safe and sound operation of banks.

Limited-life preferred stock and subordinated notes and debentures were viewed by the council as having some, but not all, of the characteristics of capital and thus would be considered eligible for consideration as second capital if:

- These instruments have an original final maturity of at least 10 years and an original weighted average maturity of at least seven years;
- Any serial of installment repayments, once begun, are made at least annually, with each payment no less than the previous one;
- Together, such financing equals no more than half the amount of primary capital; and
- The percent of such issues considered as capital declines by a fifth each year when their maturity is less than

five years distant. This would mean that such instruments would have no capital value when their maturity is less than a year.

The council made clear that, although its proposal was aimed at promoting uniformity among federal bank regulators, individual agencies have the flexibility to depart from the guidelines when circumstances warrant. ••

DIDC Steps Up Schedule To Phase Out Ceilings On Interest Rates

The Depository Institutions Deregulation Committee (DIDC), at its June 25 meeting, adopted a schedule to step up the phaseout of federally imposed interest-rate ceilings on deposits under \$100,000 at all federally insured commercial and mutual savings banks and S&Ls.

The DIDC voted against a proposal made by Federal Home Loan Bank Board Chairman Richard Pratt that would have permitted thrifts to pay 25 basis points more than commercial banks on six-month money-market certificates at all interest-rate levels. Currently, thrifts can offer this 25-basis-point differential only when the six-month Treasury-bill rate is above 7¼% and below 8¾%.

Finally, the committee decided to submit for public comment several proposals relating to new short-term instruments and to ask for public comment on ways to boost ceilings on passbook accounts.

It postponed consideration of deregulating ceilings on IRA and Keogh accounts until its September meeting. At the time of the DIDC's June meeting, Congress was considering expanding eligibility of these accounts to all individuals, and so the committee felt any changes in regulations concerning these accounts should be made after Congress acted on the matter.

Here is the interest-rate-phaseout schedule as adopted by the DIDC:

August 1, 1981: 1. Remove all rate ceilings on all deposits with maturities of four years and more. 2. Index rate ceilings for 2½-year-to-four-year deposits to the 2½-year Treasury secur-

ity and retain a 25-basis-point differential.

August 1, 1982: 1. Eliminate ceilings on three-to-four-year deposits. 2. Index rate ceilings for two-to-three-year deposits to the two-year Treasury security and retain the differential as above.

August 1, 1983: 1. Eliminate ceilings on two-to-three-year deposits. 2. Index rate ceilings for one-to-two-year deposits to the one-year Treasury security.

August 1, 1984: 1. Eliminate ceilings on one-to-two-year deposits. 2. Index rate ceilings for all time deposits under one year to comparable Treasury-security yields as above.

August 1, 1985: 1. Eliminate ceilings on all time deposits.

In other action, Treasury Secretary Donald Regan was elected DIDC chairman, and Fed Chairman Paul Volcker was named DIDC vice chairman.

The DIDC's principal office has been moved from the Federal Reserve Building to the Treasury Department.

Check-Guarantee, Credit-Card Proposals Made by FDIC

The FDIC has proposed permitting banks to offer two customer services currently restricted by regulations — issuing check-guarantee cards and sponsoring customers for credit cards issued by correspondents and assuming responsibility in case of card holder default.

A check-guarantee card assures merchants that a customer has sufficient funds on deposit with the issuing bank to cover checks up to a specified limit. Such programs may be tied to an overdraft feature or to ATM services.

Under the credit-card program, the sponsoring bank lends its credit rating to its customers while the correspondent bank does the billing and receives the interest. As proposed, a sponsoring bank would have to perform a credit check on each applicant for a card and merchants would be required to verify credit purchases at the point of sale.

Both practices are in limited use throughout the nation.



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Bright Future Predicted for Farming But Bankers' Role Will Be Tougher

A RELATIVELY bright future is predicted for farmers by bankers in the Mid-Continent area. Despite dire predictions that have been publicized extensively in the media, farming will continue to be a viable — although a changing — industry, they contend.

But it behooves bankers involved in ag lending to keep abreast of the changes facing agriculture so their institutions will be kept fine tuned to service the financial needs of the industry.

The trend of farms continuing to increase in size in both acreage and total sales volume is predicted by Byron Baker, manager, agricultural services, First National, Belleville, Ill.

Farms with less than \$20,000 in gross sales will decrease significantly in number during the next few years, he says. This is due to the high capital requirements necessary to operate a farm as well as the increased cost of capitalization of farms in recent years.

Poor managers are being weeded out due to a number of factors, Mr. Baker says. The small inefficient manager's acreage will be added to larger farmland operations as natural attrition takes place. This doesn't mean ownership will vest in these larger operations; much of the land will be owned by absentee landowners and/or other business entities. Many managers of large farms will lease a good portion of their total acreage.

"I feel that the family farm isn't doomed," Mr. Baker says, "however, the perception of what a family farm is will change to the image of such a farm as a 'business.' Good farmers typically also are good businessmen."

The complexity of the total farming operation will require an educated banker in all aspects of farming to keep up with the lending needs and the lending expertise needed to serve farmers, he says.

Smaller banks will have to draw on the expertise of larger banks that can allocate more full-time attention to the agricultural needs of the area. Tools such as discounting privileges provide that the 1980 amendments to the Farm

Credit Act will provide an opportunity for acquisition of funds by banks to meet the ag credit needs of their communities. Details will have to be worked out concerning how a bank also can provide these discount privileges to its correspondent customers, Mr. Baker says.

"I feel the mobility of money will tend to bring rates closer together for all types of banks," he says. Consequently, there should be less of a problem in harmonizing interest rates between correspondent relationships.

Mr. Baker sees a slowing of the inflation rate and a subsequent slowing down of rising farmland prices. This slower increase in land values will eliminate any offset to poor management practices since lower liquidity will not meet the cash-flow needs of such farmers in the future.

Agricultural lending will play a more important part in the future growth of ag banks than it has in the past, says Lonnie L. Kinchen, president, Bank of Kennett, Mo. Agricultural bankers must change with the times and become professionals in ag lending in order to keep up with today's modern farm managers.

He predicts that the farmer and those businesses that support farmers

will be a major source of deposits in the future. "I expect to see less farm ownership and more rented land managed by young, efficient, professional farmers," he says. Competition for land to rent is keen and the young farmer will better utilize his capital by investing in modern, efficient equipment to impress landowners.

Mr. Kinchen says the family farm isn't doomed and never will be. Too much emphasis is placed on saving the family farm. The corporate farm and the commercial family farm go hand in hand, in his opinion. This structure will influence prices more than the smaller family farm but the family farm — through good management and efficient operations — will compete and probably enjoy a better return than it would if there were no corporate farms or large commercial family farms.

In the Kennett area, growth hasn't been by corporate farms but by individual farms getting larger as neighbors quit or retire. Thus, family farms are approaching the status of commercial family farms.

Mr. Kinchen believes agriculture in the future should be divided into two segments: the commercial farm, comprising both large family and corporate operations, and small, inefficient units. Ag programs should be directed to the commercial farmer, with the small, inefficient units being treated as a social problem with totally different programs.

"I'm bullish on agriculture and not at all discouraged about the future of farming," Mr. Kinchen says.

Farming is in the midst of a great time of volatility and challenge that undoubtedly will bring about much change, says Glenn E. Heitz, president, Federal Land Bank of St. Louis.

Consequently, ag lenders must be prepared to adapt to farmers' changing credit needs.

Mr. Heitz believes that the family farm will survive and continue as a keystone in the framework of American agriculture, due to the fact that no corporate entity can match the efficiency of the family farm. Not only does the family farm's labor base pro-



vide that efficiency, the determination and willingness to sacrifice when needed can't be underestimated in the productivity and longevity of the family-farm system.

This doesn't mean that the family farm won't change, he adds. Agriculture is likely to witness a split trend in family farms: Some family units will expand considerably and compare in size with the largest corporate farms; others will retain a semblance to today's smaller family operations.

In the future, the percentage of total production probably will be dominated by the few, he says. But among these few will be a representative group of family-owned and operated farms. Many of these farms likely will involve two or three generations of the family in the overall operation.

We are seeing a slowdown in farm expansion, Mr. Heitz says. Those farmers who recently purchased additional acreage and have already "dollar averaged" the purchase price with that of the remainder of the unit generally aren't inclined to assume more debt for added purchases.

Most other farmers are taking a "wait-and-see" stance, primarily because of higher production costs, including interest rates. The land market currently is populated with more than the usual number of investor-type buyers seeking tax shelters, a change in trend from the past several years.

This is a short-term market aberration, he says, and when money costs slacken somewhat and commodity prices become profitable, farmers again will plunge into the land market and the trend some have labeled "agrarian cannibalism" will continue, albeit at a more cautious rate.

He says that a numeric majority of farms will in all likelihood provide a much smaller, but nonetheless important, share of farm products. Many of these smaller enterprises will be family farms, but they will more closely resemble the operation of today's part-time farm. Off-farm income will, in effect, subsidize these units and allow them to remain productive. This off-farm income also will act to stabilize net income in the face of what could be violent shifts in farm income and, consequently, provide a more financially sound operation that can attract the credit needed to remain efficient.

To those involved in supplying agriculture with credit, this means that the extension of constructive credit is going to get even tougher. The margin for error will be sliced so thin that, for all practical purposes, it will disappear. Credit requirements will be-

Amendments' Effect

The Farm Credit Act amendments of 1980 are expected to have little short-run effect on the present mix of ag-lending between banks and the Farm Credit System in the Mid-South, according to John H. Hembree, senior vice president, Union Planters National, Memphis.

Although the amendments are expected to expand the market potential of the system, interest rates will continue to be an important factor in borrowing patterns that have led many agri-borrowers to seek lower rates from the system.

Commercial banks have the expertise in specialized banking services and it remains to be seen how the Farm Credit System will compete on this level, Mr. Hembree says.

Commercial bankers must be knowledgeable with the new structure of the Farm Credit System so they can formulate competitive marketing and lending activities.

come even more complex. Lines of credit will grow even bigger. Borrowers will be more financially sophisticated, and credit demand is going to increase substantially. Added pressure will be encountered if government lending is curtailed, he says.

Agriculture, with its increasing dependence on exports, is going to face an extremely volatile income situation. But Mr. Heitz believes farming will become more profitable in the long run, and farmers' standard of living will continue to improve.

The future of farming remains bright, he says, yet, the lender's job will not get any easier. "I think we will see in such an environment a continued movement toward cash-flow lending as opposed to security lending. Lenders dealing with agriculture will have to become farm-finance specialists.

"Above all, in this coming atmosphere of complexity and increasing risks, lenders will have to work even more closely with the borrower and with one another."

Reporting on the ag situation from Kansas is James S. Birkbeck, president, Denison State, Holton, who feels the future for ag lending is secure.

"We had a tough year in 1980 and I think 1981 will be somewhat better," he says. "However, looking further ahead, I think we are going to have greater farm and livestock profitability."

Greater profitability and cash-flow

will solve the problems facing good, efficient farmers, he says, but they won't solve the problems of some of the highly leveraged operations and the somewhat marginal and poorly margined operations. Most likely, such operations will be sold, merged or rented in the future.

Cash flow is one of the major problems facing operators, he says. This is especially troublesome due to bigger expenses and higher interest rates. Some highly leveraged operators who had large acreages of corn last year are selling small tracts of real estate to take care of their cash-flow problems. This probably affects younger operators especially hard, since they usually are highly leveraged.

Mr. Birkbeck doesn't feel the family farm is doomed, but it is going to become larger and more specialized, changes that will cut down on the number of such farms. He sees more rented farmland in the future as younger operators use their capital for livestock and equipment rather than for real estate.

"The trend of fewer farmers and larger farms has been with us a number of years," says Loren D. Richard, agricultural loan officer/correspondent bank officer, Hutchinson (Kan.) National. "The family farm of one-half section or less, as we knew it, is supplemented by a job in town today. Family farms now are Sub-Chapter S corporations, with their stockholders primarily those who farm it. We are seeing more outside money going into agriculture, and we will see more in coming years. If this trend continues, much of the farmland and farms themselves will be out of the hands of the people who farm them. I believe more land will be rented, first of all because of the increase of off-the-farm interest in farmland because of the inflation in its value. It's competitive for a farmer to buy compared to an individual who is looking for an investment. The investor or investors do not have to buy their groceries from production of the land. This is a big consideration today when most farmland will not pay for itself solely from production of that land."

Mr. Richard points out that the larger concentration of farmland under single management demanding ever-higher loan limits does send a lot of loan business to larger correspondent banks, which use local banks mainly as pass-throughs. He feels that with these increased credit needs, the correspondent relationship in future years will be of utmost importance in financing agriculture. With today's high cost of

funds, he continues, it's increasingly more difficult for rural and correspondent banks to agree on interest rates.

"Most of our downstream correspondent banks," he explains, "have prime rates fairly close to ours and possibly 1/2% to 1% lower. In these cases, they have had to pass on the rate necessary to sell the loan. In some isolated cases, they have done so without any margin allowed for the old portion of the loan. We have floated loans on the prime rate of a bank, selling the loan with a floor and a ceiling added in case of any major fluctuations between the two rates. This has worked with reasonable success.

One banker foresees "quite a change" in the makeup of farms throughout the country. He points out that it is becoming increasingly difficult for young farmers to pay the price required to own farms.

"I feel the No. 1 problem in ag lending and other forms of lending as well is the high cost of loanable funds. This is a prime time for the saver, and I'm glad to see the small saver get a break. With deregulation as we see it coming, the lender will be at the mercy of his competitor as to what he will have to pay for his source of funds. Surely, there is a happy medium in which the borrower and saver both are treated fairly, with less differential between large and small savers. The interest rate, along with unregulated competition pulling needed funds out of local markets and into foreign investments, definitely has stunted business growth. This applies whether that business be farming, small business or giant corporation. We have a lot of smaller industries in Kansas, mostly manufacturing some form of farm equipment. These companies are surviving, but, for the most part, not forming the capital necessary for growth and providing additional jobs.

"In summary, we in Kansas and in most parts of our nation are dependent on the agricultural economy. When agriculture is down, as it is today, we definitely are aware of it, as we are down with it."

E. H. Brauer Jr., president/CEO, Mercantile Bank, Shelbina, Mo., believes the Farm Credit Act amendments of 1980 and other Farm Credit acts prior to that year are making the Farm Credit System a difficult organization for rural banks to compete with in the ag-lending area.

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(FCS) was allowed to deal only in direct loans with farmers in ag-lending areas, its banks now are allowed to go into all kinds of ag-related areas. Also, we find the new amendments have increased the length of maturity on the short- and intermediate-term loans to the point where they can justify about any loan they want to insofar as maturity is concerned.

"The big problem we encounter here in northeast Missouri in dealing with the FCS is the fact that it is operating on a much narrower margin as far as profit is concerned than are banks. Therefore, FCS banks are difficult to compete with on interest rates. The Production Credit Association (PCA) in northeast Missouri operates on a margin 1½% above the average cost of funds received from the investing public. In the past, it has not been difficult for banks to compete with PCAs and the Farm Credit Association (FCA) because of their lack of experienced loan officers and expertise in the lending area. However, in the past two to three years, they have done much better in paying reasonable salaries to employees and have a good benefits program, and all this allows them to hire good people.

"I strongly believe that in the future, the FCA will be our strongest competitor by far in areas where it has good, experienced loan personnel. I believe that we, as rural bankers, are going to have to be innovative in our ideas to compete with the FCS for agricultural loans."

Mr. Brauer also foresees "quite a change" in the makeup of farms throughout the country. He points out that it is becoming increasingly difficult for young farmers to pay the price required to own farms. With interest rates from 17% to 18% in rural communities and land selling from \$1,000

to \$2,000 an acre in Mr. Brauer's area, it's impossible for a young man to borrow practically all the money to buy a farm and make that kind of return on the land itself. Because of this difficulty in obtaining farm ownership, Mr. Brauer predicts that in the near future, farm ownership will become more and more concentrated in outside investors' hands, with the family farm becoming a tenant-type operation. He says farms already are becoming larger in acreage in his area, and he thinks that trend will continue, with good young farmers handling more land in this tenant-type operation.

"One problem being encountered at this point by correspondent banks in the ag-lending area," Mr. Brauer continues, "is lack of ag-lending expertise on the part of the bank with which they are corresponding. Many larger banks today have not found it necessary to put a strong agricultural department in their correspondent divisions. In the past, that has not been too bad, as ag credits were not large compared to other commercial borrowings and were not so complicated. However, as farms get larger and farming operations get larger and borrowing requirements get larger, a much greater analysis is needed in the area of ag credits. Without proper analysis in the future, there is going to be a great volume of loan losses in the ag-credit area."

Mr. Brauer doesn't find much difficulty any longer in harmonizing interest rates on participation loans from the rural area. At one point, he says, before investors became sophisticated in the agricultural area, this was a problem, but rural banks now are paying the same rates for money as are city banks. Therefore, rural customers realize they must pay the going interest rates or the money will not be

available to them. Harmonizing of rates should not be a problem between rural and city banks as far as participations are concerned, he believes.

Despite all the problems of ag lending, Mr. Brauer sees a good future for it. However, he adds, rural banks must become more aggressive in their lending policies and be more willing to go out and lend money to farmers at their places of business.

"We, as agricultural banks," he concludes, "may have to be willing to take a lesser margin on our loans than in the past because of increased competition from the Farm Credit Administration. I believe we will either have the choice of taking a lesser margin or becoming investment-oriented more than ag-oriented. I cannot stress too strongly the fact that we are going to see an increased level of lending from the FCA and that we must look critically at our lending policies and at how well we are doing the job in the ag-lending field."

Another banker who warned about increased competition from the FCS is Richard E. Bonewitz, vice president, Indiana National, Indianapolis. He believes the Farm Credit Act amendments of 1980 will place increased pressure on commercial banks to stay competitive with the FCS. He points out that the amendments reinforce the quasi-governmental status of the FCS, with its limited taxability and ability to continue to obtain low-cost funds. The amendments allow the FCS to compete with commercial banks in providing international services to cooperatives; allow PCAs to more actively seek participations with rural banks in direct competition with correspondent banks and provide for liberalized policies that allow the FCS to lend to corporate borrowers for "marketing-and processing-type" loans. In the past, this system has stretched its policies to finance various types of agricultural businesses, he says, and will continue to do in the future as it strives to be a commercial-lending and banking organization. He advises commercial banks to find ways to extend additional services if they want to retain their customer base.

"With the much higher interest-rate levels experienced during the last 18 months," Mr. Bonewitz continues, "we have had less of a problem in harmonizing the interest rate on participations between the country bank and our rate than we have in the past. Rural banks have been faced with much higher costs of funds because of money-market CDs, which have placed their cost of funds closer to

(Continued on page 66)

Farm Equipment Sales to Drop

FARM EQUIPMENT and machinery manufacturers in the U. S. feel the 1981 dollar volume for retail sales will be up only 5% to 8% over last year.

The forecast resulted from a survey of member companies of the Farm & Industrial Equipment Institute (FIEI), Chicago, and the results are considerably less optimistic than was the outlook at the end of 1980.

Key factors influencing the less-optimistic outlook by manufacturers include reduction in government support programs, continued rising inflation, high interest rates and low farm prices.

Those who thought business may improve listed these reasons: aggressive industry pricing actions, possible lower interest rates by harvest time and a pent-up demand for many products.

The survey was taken after the FIEI reported that sales of major farm machinery for the first four months of 1981 were running behind 1980, a year that saw sales drop significantly below previous years' totals.

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Farm Credit Act Amendments of 1980 Can Help Bankers Help Farmers

By Donald E. Wilkinson, Governor, Farm Credit Administration, Washington, D. C.

THE BUSINESS of the Farm Credit System (FCS) is *not* to help agricultural banks! Rather, its only business is to improve the income and well-being of American farmers and ranchers by furnishing sound, adequate and constructive credit and closely related services to them, their cooperatives and to selected farm-related businesses necessary for efficient farm operations.

In some cases, serving the credit needs of agriculture means channeling some of the funds through commercial banks. And some of the changes brought about by the 1980 amendments to the Farm Credit Act of 1971 will make it easier for the FCS to serve agriculture through commercial banks.

With that understanding, let's look at how the FCS and agricultural banks can work together to help agriculture, since helping agriculture is their common objective.

I would like to set the stage by reviewing the specifics of the key amendments to the 1971 act affecting the working relationship between banks and the FCS.

The "other financial institution" (OFI) provision is the amendment bankers are most interested in. It is one of the major modifications of the Farm Credit Act of 1971, because it expands significantly the access of OFIs to the Federal Intermediate Credit Bank (FICB) discount window.

I'm sure most bankers recall the debate that centered on this amendment. Opponents argued that the amendment restricted rather than expanded discount-window access. Actually, what this amendment does for the first time is define what the access will be.

Let's take a step back in FICB history to see what the precedents were that established the pattern for discount-window access before the 1980 amendments.

Actually, the FICBs originally were chartered in 1923 to discount agricultural paper for commercial banks

This article is based on remarks made by Mr. Wilkinson at this year's annual convention of the Independent Bankers Association of America.



and OFIs. However, this banking authority never achieved its intended purpose of making short-term credit more readily available to farmers. For one reason or another, commercial banks and other lending institutions didn't avail themselves of the authority.

As a consequence, the Production Credit Associations (PCAs) were established in 1933 to distribute discounted funds to farmers. But even though PCAs were established to fill the void left by the commercial banking industry, the FICB authority to provide a source of credit to OFIs significantly committed to financing agriculture remained intact.

As time went on, the banking industry showed only sporadic interest in accessing the discount privilege. Demand on the system was heavy when money was tight and bank loan-to-deposit ratios were temporarily high. This, of course, stressed the FCS's funding mechanisms at their most vulnerable times. This stress during vulnerable periods forced the FCS to develop and administer certain requirements for access to the FICB discount window.

I am neither pointing a finger at commercial banks nor condoning the past actions of the FCS. Rather, my intention is to review the past in an effort to shed some light on the circumstances in which agricultural banks and the FCS found themselves last year.

Returning to the OFI aspect of the 1980 amendments, the law sets forth

four conditions for granting commercial banks access to the FICB discount window.

- The commercial bank or OFI must be significantly involved in farm lending.

- The bank must have a continuing need for a supplementary source of funds to meet the needs of its agricultural borrowers.

- The bank must have only limited access to regional or national capital markets.

- The bank may not use the FICB services to expand financing to persons or for purposes other than those authorized in the 1971 act.

The basic thrust of the regulations will be to (1) assure equitable OFI access, (2) protect the FCS against misuse and (3) eliminate inconsistencies among the districts.

Now let's look at the provisions of the draft OFI regulations. Under the draft regulations, OFI eligibility criteria are clearly defined, as contrasted with current regulations in which the criteria are general, non-specific and lend themselves to either a very broad or very narrow interpretation, depending on one's point of view. Opponents to the new law have argued that the old law and regulations should have been retained and the FCS forced to open the FICB discount window to *all* commercial banks.

However, precedents have established a narrow interpretation of the old law. The 1980 amendment guarantees access to the FICB discount window by qualified agricultural lenders and new regulations are needed to more specifically define that access.

Changes that the draft eligibility regulations would make include the following:

- Lowering the volume of agricultural loans required to establish eligibility from 25% to 15% of the total loan portfolio.

- Changing the required loan-to-deposit ratio from 65% to 60%.

- Restricting access to the FICB discount window to banks or affiliates that have only limited access to national or regional money markets.

In addition, a new section in the proposed regulations establishes

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appeal rights for rejected applicants. The Farm Credit Administration, the federal regulatory agency for the system, will have responsibility for reviewing appealed decisions on a case-by-case basis.

I believe this eligibility section is an important part of the draft regulations, because it helps fulfill the congressional mandate to open the FICB discount window to qualified agricultural lenders. We also feel that this will satisfy those who have felt that access to the discount window was arbitrarily determined in the past.

There is another significant provision of the OFI amendment that is favorable to commercial banks. This provision will level the playing field by granting OFIs the authority to discount with the FICB for the same types of loans that PCAs are authorized to make. The current authority restricts OFIs to discounting loans for agricultural purposes only, whereas, PCAs have broader authority to make loans to farm-related businesses, rural residents and aquatic producers. In addition, PCAs have the authority to make loans for the "other needs" of agricultural and aquatic producers.

A question often on the minds of bankers regards the timetable for implementation of the amendments.

Implementation will not take place before early next year, due to certain legal procedural requirements and the mandatory congressional review of draft regulations.

Now I want to mention a few FCS concerns over expanding OFI access to the FICB discount window.

The FICBs will have problems maintaining adequate staff to handle the OFI requests unless some mechanism for responding to potential wide fluctuations in OFI credit demands is established. A nightmarish management problem would develop if FICBs were required to constantly tool up and then tool down as credit demand fluctuated.

Closely related to this problem is the importance of protecting the FCS's credibility in the money markets. It is a reputation earned over a more than 60-year period. And although the system has been unfairly criticized for its "unlimited" access to the money markets, it hasn't taken its reputation as a good market citizen lightly.

The system voluntarily coordinates its bond sales with the U. S. Treasury, the Fed and with leading securities dealers to assure that every issue of system securities will go through and fit into the overall monetary picture. For example, the FCS gives considera-

tion to whether another organization, such as the Federal National Mortgage Association, is going into the market with any unusual demand. If the FCS was to enter the market with a bond sale at the same time, it might be disadvantageous to both.

The bottom line is that we must not surprise or shock the investment community. Any increase in credit demand resulting from factors such as OFI discounting must be absorbed gradually. The investment community has been able to accommodate agriculture's credit needs and it will continue to do so as long as we don't overburden or confuse it.

I want to address another mechanism agricultural banks may want to pursue in meeting their growing credit demands — participation agreements with PCAs. These agreements are similar to overline arrangements between commercial banks and their correspondents.

PCA participations with commercial banks have worked well in some areas. In others, they have not been an unqualified success. Participations have worked well when PCA management and commercial bank management have put aside old prejudices. Unfortunately, publicity about the less successful efforts apparently has led to considerable misunderstanding of the program. FICBs now are taking positive action by examining the PCA participation programs and amending them when possible to improve PCA receptivity. I encourage bankers to take a look at the program for themselves and then decide whether or not it can work for their institutions.

The 1980 amendments provide for a liberalization of this program that we think will benefit both farmers and small country banks. One of the changes involves the issuance of participation certificates in conjunction with a loan. The certificates will be issued directly to the commercial bank instead of to the borrower. This makes the PCA an invisible third party in the transaction, something commercial bankers consider important.

The FCS appreciates the constructive, cooperative relationship evidenced by banking leaders. Let's work together to identify our common areas of interest and to build a relationship that will assure our mutual success in furthering the interests of American agriculture. ● ●

25th Annual Market Day Set for Sept. 2 in St. Joe

ST. JOSEPH, MO. — The 25th annual Market Day, co-sponsored by First Stock Yards and First National banks, St. Joseph, will be held September 2.

Registration will begin in the lobby of First Stock Yards Bank at 9 a.m., followed by a tour of Bio-Zyme Enterprises. A report on the current day's market will be given at a luncheon at the Hoof and Horn Steak House, adjacent to the bank.

The afternoon session will begin at 2 p.m. at the St. Joseph Country Club. Featured speaker will be Max Lennon, dean, College of Agriculture, University of Missouri-Columbia. His topic will be "New Horizons in Agriculture."

A panel discussion on various agricultural commodities and price trends is set for 3 p.m., to be followed by the traditional social hour and steak dinner.

● **Commercial Credit International Banking Corp.** Stephen C. Johnson has been named executive vice president of this firm, a subsidiary of Commercial Credit Co., Baltimore. He joined the subsidiary in 1978 as a vice president based in Quito, Ecuador.

Capitalizing on Change Is Theme of NABW Meeting

The theme for the 59th annual convention of the National Association of Bank Women will be "Banking '81: Capitalize on Change." The convention will be held September 27-30 at the Hyatt Regency Hotel, Chicago.

Convention sessions will center on the impact of recent economic, legislative, regulatory and technological developments in banking; the issues and questions they raise for the future of the industry; and the strategic responses that will determine banking's survival in the tough competition of the '80s.

Among the speakers lined up for the convention are Chicago Mayor Jane M. Byrne; Frank Cappiello, panelist on "Wall Street Week" on PBS; Donald Jacobs, Northwestern University; Thomas Wageman, president, LaSalle National, Chicago; and Gail Melick, executive vice president, Continental Bank, Chicago.

Two seminars will be held prior to the opening of the convention dealing with management process and the management of conflict and change.

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World Food Demands Tax Farm Industry; Ag Bankers Urged to Follow Trends

AMERICAN agriculture and rural banks will be operating in an entirely changed atmosphere during the balance of this decade, said Daniel G. Sisler, noted agricultural economist connected with Cornell University, at this year's annual convention of the Independent Bankers Association of America.

World food demands have forced farmers to put virtually all their marginal land to work to produce enough food to fulfill government commitments to less-advantaged countries.

At the same time, according to Dr. Sisler, farmers face inflationary costs for inputs and low prices for their products, placing them in high-risk positions as bank customers.

This changed atmosphere on the agricultural front makes it necessary for rural bankers to work more closely than ever with their farm customers, providing them with sufficient funds to see them through to the end of the decade, when the tide is expected to change for the good for farmers strong enough to survive the intervening years.

Agricultural exports have made an enormous contribution to closing the gap in our international accounts and paying our crude oil bill, Dr. Sisler said. This tremendous outburst of agricultural production, increased dependence on the world marketplace and the political position of food has greatly altered U. S. farming, both now and in the future. The forces of increased agricultural exports, the uncertainty engendered by heavy reliance on the world marketplace, coupled with the use of food as a political tool, have completely altered the arena in which our farmers operate.

"The U. S. is by far the world's largest producer of corn, wheat, soybeans and rice entering the international marketplace. We truly are the world's residual supplier of grains. At present, we export nearly two-thirds of our total wheat output, about 35% of our corn production, 40% of our soybeans and nearly half of our total rice crop. At a time when America has asked so much from its farmers, the specter of enormous uncertainty has

come into play. I often think those in Washington who make both demands and regulations fail to appreciate that agriculture still is a biological business."

When the communist giants decided to enter the world market, they injected a new and powerful force — the factor of intense uncertainty. "I estimate that over the past decade annual year-to-year variability in Soviet grain production is about 42 million metric tons. In some years, the Soviet Union is a net exporter of grain; in others up to 35 million tons is purchased."



Mainland China also has added a great measure of uncertainty in the world market as it started making large grain purchases in the latter half of the 1970s, Dr. Sisler said. Agricultural production in China has grown rapidly but a large part of that growth has taken place in provinces of China that also are subject to wide swings in precipitation and grain production.

"The American farmers and the bankers who serve them now are in the unenviable position of being a yo-yo, with prices and demand being pulled up and down by the string of weather in semi-arid grain-producing areas of Russia and China.

"To meet the challenge of increased export earnings, American farmers have greatly expanded crop acreage. In 1970 we planted about 293 million acres of cropland, including hay. In

1980 we planted 357 million acres and the planting intentions for 1981 indicate about 361.5 million acres. Total acreage planted in 1980 and 1981 is the highest in 30 years. Hay acreage in the early 1950s was about 76 million. This fell to about 60 million acres and has remained constant at that level for the past five years.

"I don't feel we have ever had as many acres planted to row crops and wheat as this year. It appears that we have brought into production nearly all available acreage that can profitably produce grains and soybeans. Certainly if prices were extremely favorable, a small acreage of marginal land could be brought into production, but the flexibility of adding over 65 million acres formerly idle or in hay no longer is there."

This is the new environment confronting U. S. grain and livestock producers — little available acreage to bring into production, a mandate to earn over \$45 billion in foreign exchange to bail out the balance of payments and pay for crude oil, strong sentiment to hold down domestic prices and, finally, admonishments to take a more active role in providing food for the needy nations of the third world, he said.

"If our production falls as the result of poor weather again in 1981, will we be able to honor our bilateral agreements and let domestic prices soar while the markets of good overseas customers go unfulfilled? What about domestic feed users? I estimate that current exports of feed grains have pushed up the price of cow feed by \$18 a ton and the price of poultry laying mash by over \$20 per ton. An Iowa banker friend tells me that with current cattle and hog prices, his loans to feedlot operators are off about 50% from last year and to those buying feeder pigs by about 30%. He also told me that he doesn't know of a single loan that has been made in the past year for confinement hog units in the county.

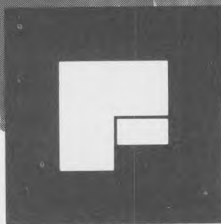
"Can we bail out of the world market? No. Right now we have committed about 90 million acres to production for export. We earn about 25% of

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our agricultural income from exports. About 1.6 million farm jobs are tied up in production for export. To engage in a significant drawback from exports rejects everything conservative, free enterprise farmers and — I believe, bankers — stand for.

“Both bankers and their farmer customers presently are confronting difficult times. The continuous inflation we have experienced for the past seven years is a new phenomenon. Bankers have had to pass through higher costs to their customers. This is good business, but it may well mean that bankers have a riskier loan portfolio.”

The recent inflationary spiral has hurt farmers more than it has helped them, Dr. Sisler said. The prices farmers receive have just not gone up as rapidly as the prices they pay for inputs.

“Farmers are confronting a tough debt situation. I know bankers are well

aware of this, but let's look at it from a slightly different perspective. In 1960, total farm debt was about \$25 billion and by 1981 total farm debt is estimated to be over \$180 billion. Farmers purchased equipment, buildings and other facilities to gear up to meet overseas demand. Since 1975, farm debt has risen by just about \$100 billion. Net income is what pays off loans. In 1960 there was about \$2 of farm debt for every \$1 of net farm income; that ratio now is well over \$5.”

Bankers have their woes, he said. With the deregulation act of 1980, other financial institutions can be increasingly competitive on both the deposit and loan side. Bankers have the problem of interest-rate volatility, and it is increasingly difficult to tell a customer that the guy down the street can't offer trust services.

“Certainly, conditions don't appear rosy at this time, but in the longer run

we should keep in mind that world demand for food is rising and the farmers bankers work with are in a strong position to take advantage of this trend. In the short run, it will be rocky, but the good and very good farmers will make it.

“I honestly feel that farm prices and income will be excellent in the latter part of this decade. Bankers will have to continue to do what they have always done best — work closely with their farm customers. Bankers will have to understand farmers' problems and pay close attention to their particular needs.

“Agriculture is on the rebound, and bankers are in the strongest position to provide the personalized service that will help themselves, and farmers, realize the prosperity of the future,” Dr. Sisler said. ●●

Many Opportunities for Electronics To Be Used in Farm Machinery

THE FARM-MACHINERY industry is heading toward a new frontier in applying high technology to machines as a way to continue to boost American farmers' efficiency. So says Irv Aal, vice president/general manager, Sperry New Holland North American operations, New Holland, Pa.

“For example,” says Mr. Aal, “there are many opportunities for the farm-machine industry to incorporate electronics into its equipment. Down the road, it is possible we may see ‘intelligent’ machines with the ability to handle corrective action instantaneously without operator involvement.

“Applying electronics to farm machinery isn't new. For several years, farm-machine manufacturers have been designing machines with built-in electronic devices. Sperry New Holland combines and others have electronic sensors that watch over vital machine functions and warn the operator when there is a problem.

“An electronic metal detector on our forage harvesters can sense metal objects in farm fields and automatically stop the harvester feed rolls before the metal damages the cutter head. In the past, small pieces of metal often were chopped and mixed with cattle feed, causing ‘hardware disease’ in dairy cows. The metal detector has helped many of our dairy customers by reducing hardware disease and the expense of replacing valuable cows.

“For farmers who grind and mix their own feed, sensitive electronic scales have been built into portable grinder-mixers. This allows the farmer to do a precise job of blending his own feeds at a lower cost.”

In the future, according to Mr. Aal, all farm-machine manufacturers will have to rethink the machines they are building, particularly since the U. S. Agriculture Department continues to project a trend toward fewer, but larger, farms in this country.

“Building machines that reflect the needs of our customers' work environment is good marketing sense,” Mr. Aal concludes. “With fewer farmers producing goods and more people than ever looking to the American farmer for food, sophisticated machines that incorporate electronics coupled with hydraulics and other mechanical innovations will help bring more efficiency to food production in the future.”

American Nat'l, Chattanooga, Hosts Data Users Symposiums

An on-line linkup with the total customer base was called critical to the success of a bank's ATM program during a recent series of data users symposiums sponsored by the national/correspondent division of American National, Chattanooga.

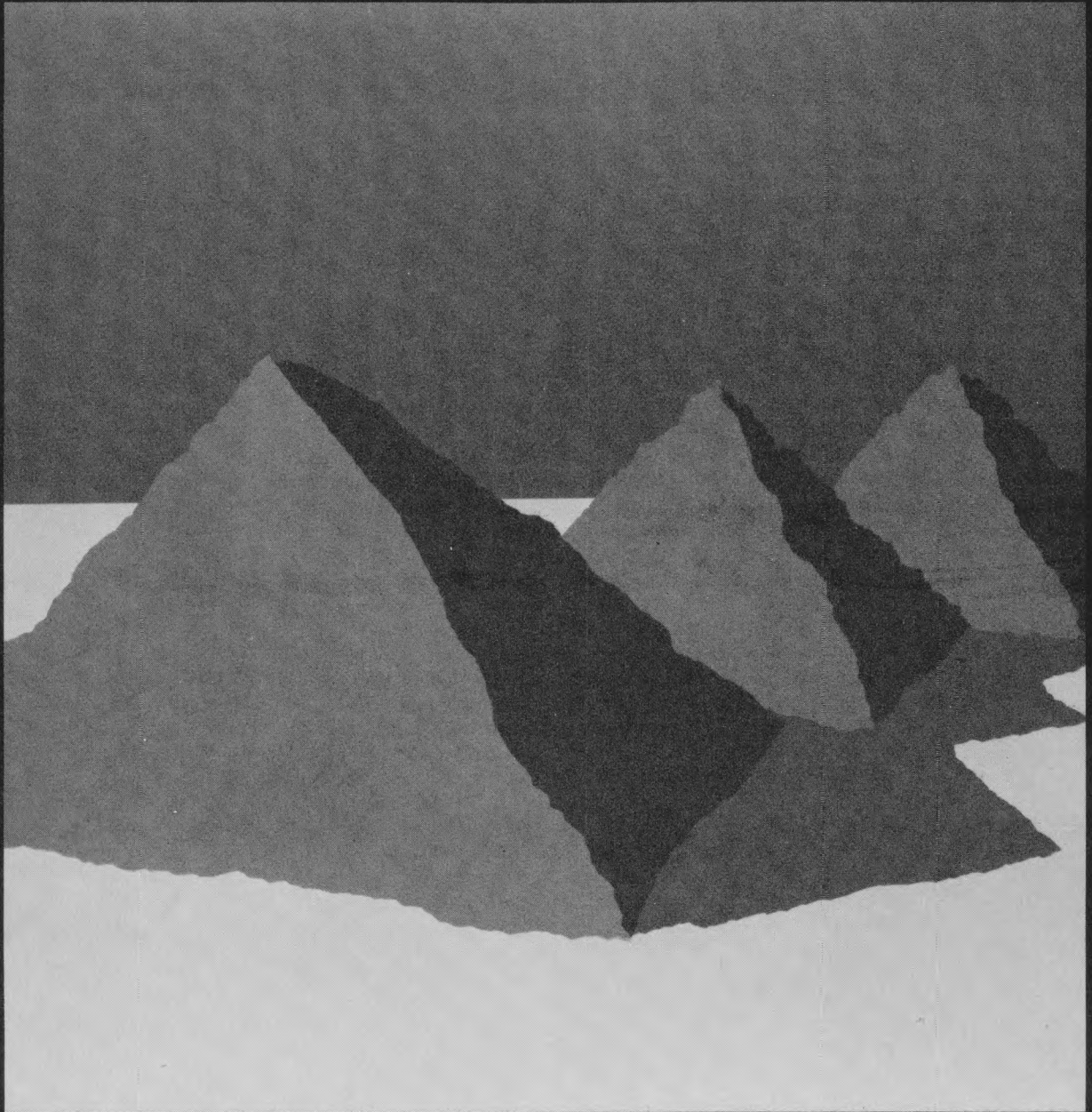
The symposiums were designed to update and brief user banks on American National's data processing capabilities and were conducted by Norman R. Miller, vice president, national/correspondent division, and Steve H. Croxall, vice president, data processing division.

Mr. Miller introduced the bank's new ANB 7-11 ATM system, a support package designed to assist a bank in converting an off-line system to an on-line system. Mr. Croxall described a new combined deposit system offered by the bank that will permit user banks to begin pricing based on a customer's total deposit relationship.

Pictured at American Nat'l of Chattanooga's data users symposium held in Gadsden, Ala., recently were (from l.) Steven H. Croxall, v.p., host bank; J. E. Moody, ch./e.v.p., J. C. Jacobs Bank, Scottsboro, Ala.; Norman R. Miller, v.p., host bank; and Gail Gentry, v.p./cash., Nat'l Bank of Commerce, Birmingham, Ala. Messrs. Croxall and Miller conducted the symposiums, which also were presented in Chattanooga and Knoxville.



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Bank Gives Marketing Assistance To Neighborhood Organizations Trying to Publicize Their Areas

By Jim Fabian, Senior Editor

IF THE PEOPLE of St. Louis believed what they read in national news magazines, they'd pack up and leave town. These publications have been calling attention to the "demise" of St. Louis; in effect, burying the city in the graveyard of civic neglect.

Fortunately, business leaders and residents of St. Louis tend to side with Mark Twain, practically a native son, who, when informed of his demise, quipped, "The news of my death is greatly exaggerated!"

Civic pride isn't dead in St. Louis, a fact underscored by the city's 1981 Fourth of July riverfront extravaganza that attracted half a million residents and involved numerous civic organizations.

But some civic activities don't get the publicity they deserve. St. Louis abounds with unique neighborhoods, many of which support organizations created to publicize their "difference" in attempts to attract new interest and residents to their "turf." It often appears that many of these seat-of-the-pants organizations can't achieve their goals because their funds are meager.

The people serving on the community affairs committee at First National, St. Louis, recognize the importance of such organizations and their work. They also recognize the problems such

organizations face in achieving their goals.

That's why the bank's committee established a "Neighborhood Marketing Assistance Program" as a continuing operation. According to Alfred H. Kerth III, assistant vice president/community affairs at the bank, the program's purpose is "to help neighborhood organizations achieve some visibility for their programs."

The activity is part of what Mr. Kerth calls the "back-to-the-city" movement. He says that, although the bank does most of its big business in commercial loans, neighborhood redevelopment is part of the bank's long-range strategy to improve business by developing areas where people want to live and work.

In 1979, the bank made a donation to help an association in the Hyde Park area publicize a neighborhood fair. The grant enabled the association to churn out enough publicity to attract triple the number of people who attended the event the previous year.

That successful "test-marketing" effort encouraged the bank to expand its grants for associations, Mr. Kerth says.

This year, First National offered a total of \$20,000 to neighborhood organizations interested in applying for assistance in their marketing efforts.

None of the 14 associations selected to receive grants received the maximum \$7,500; in fact, the largest grant this year was \$2,640 to be used to purchase billboard space and produce flyers and window signs to promote a section of the city.

The bank is careful to make the purpose of the grants crystal clear to neighborhood associations when it sends out yearly letters asking for grant proposals.

Leaders of some associations tend to overlook the word "marketing" in the program's title. They expect the bank to fund building rehabilitation and other community-beautification projects. Such projects fall under a different area of bank funding, Mr. Kerth says, and don't qualify for marketing assistance.

The program's purpose is to help neighborhood associations effectively market and improve their neighborhoods, according to bank literature. A number of guidelines are furnished so applicants for grants won't stray from the bank's requirements.

Among the guidelines:

- Proposals are accepted only from organized neighborhood groups within the city limits.

- Grants are awarded for specific marketing programs and may be used either to augment an existing program or to fund a new one. Grants are not awarded for ongoing staff salaries or for other capital improvements.

- Proposals must include detailed information on how grant money will be used. A timetable and budget must be included.

- Proposals may request awards of either cash or in-kind services. Falling under the latter category is technical assistance from Neighborhood Marketing Services, a nonprofit corporation under contract to the bank to provide marketing services directly to neighborhood organizations that qualify for grants.

- Award decisions are made by a panel of five judges selected by the bank's committee. This year, the panel included the new mayor of St. Louis, a



Neighborhood tours are conducted by community affairs department of First Nat'l, St. Louis, to familiarize bank personnel with unique aspects of various sections of city. Alfred H. Kerth III (2nd from r.) is head of community affairs department at bank.

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minister, a civic-minded citizen and two members of the bank staff.

• Grant awards must be used in the calendar year in which they are given or be forfeited and can be used only in the manner outlined in the proposal that qualified for an award.

• Grants awarded in the form of cash are disbursed on receipt by the bank of paid invoices for approved products or services.

• The bank maintains the right to refuse to reimburse a grantee for any invoice covering expenses incurred outside the scope of the grantee's proposal.

All proposals are carefully checked for creativity and viability, Mr. Kerth says. Care is taken to select judges familiar with city neighborhoods so the legitimacy of requests can be verified.

The bank doesn't always grant the amount of funds requested by an organization. Groups sometimes overstate amounts needed and sometimes include expenditures judges feel are not practical or appropriate.

The bank's community affairs department maintains a list of neighborhood organizations and uses direct mail to contact them to request proposals. Other means of communication about the program include newspaper

The community affairs department at First National, St. Louis, is active in many aspects of city and state affairs. It participates in economic-development projects that include port development for St. Louis, tourism promotion for the entire state of Missouri and participation in the National Council on Urban Economic Development.

The department currently is active in commercial projects in St. Louis, including city-center redevelopment and rehabilitation of the city's Union Market. It takes part in the Downtown Plan Review Committee and the National Leadership Conference on Urban Lending.

Residential programs include the Neighborhood Marketing Assistance Program (see adjacent article) and the City Loan Program as a contributor to a pool of below-market-rate mortgage funds.

Other categories in the department's outline of activities cover government regulation, public relations, corporate social responsibility and miscellaneous projects that affect both bank personnel and the community at large.

articles, public-service announcements and news releases to churches for use in bulletins to members.

Each year, the committee asks the judges to look at all proposals (52 were received this year) and rank them in order of importance. When the judges meet, a list of 10 proposals that all consider important is made, along with a determination of the amount of funding each will receive. Any funds remaining are used for proposals on a secondary list, until the funds are exhausted.

Administration of the program isn't expensive, Mr. Kerth says. It doesn't take a lot of bank time and it's structured to rely on donated services of outsiders.

"We believe we've achieved both good publicity and goodwill with this program," Mr. Kerth says. "There has been some criticism from those who believe \$20,000 isn't much for a big bank to spend. However, most people recognize that this amount is just a small part of our total contribution. We believe the response from the community is positive."

Richard F. Ford, First National's president, is active in civic and community affairs. He's chairman this year of Downtown St. Louis, Inc., which, he says, qualifies as a neighborhood association that's dedicated to publicizing its area. "Downtown is a neighborhood, too," he says, "and should be thought of in that way."

His philosophy about the program is this: "If the communities are healthy and they're vibrant in the city of St. Louis, that rubs off on the whole city. And really, what rubs off on the whole city is good for First National Bank and every other business in St. Louis."

The neighborhood sector of the community affairs committee's work isn't the only part, he says. The most important sector is economic development. First National is active in promoting the Port of St. Louis, a project that means more jobs and a stronger economy for the city.

"This neighborhood program is a by-product of our efforts to develop a strong city and a strong state," he says.

So much for civic neglect in St. Louis! ● ●

Bank Cosponsors Exhibit Of Magna Carta Document

First National, Little Rock, participated recently in efforts to exhibit the Lincoln Exemplar of the Magna Carta in the rotunda of the state capitol.

The document, written in 1215 A.D., laid the foundation for legal principles, privileges and rights that have remained the basis for most constitutions and laws.

The exhibit included a short educational film produced by Encyclopaedia Britannica, and the dean of the Lincoln Cathedral in England, repository of the document, made appearances during the exhibit.

The exhibit was coincident with the observation of law month.

Joy Greer, senior vice president/corporate communications at First National, was a member of the Magna Carta in Arkansas committee that arranged for the exhibit.

Bank Helps Library

Martin G. Struwing, pres., Bartlett (Ill.) Bank, presents microfiche reader to Diane Bertlesen, head librarian, Bartlett Public Library, for use by the library. The Quantor 305 dual-field microfiche reader will be used in conjunction with a new microfiche printer purchased by the library. Miss Bertlesen says the reader will help students locate reference materials quicker and easier than previously and will be of help to the staff.



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National American Bank of New Orleans

Statement of Condition as of June 30, 1981

Resources

Cash and Due from Banks	\$ 86,561,364.69
United States Government Securities	176,673,296.81
State and Municipal Obligations	9,236,312.68
Other Securities	3,066,946.96
Bank Buildings and Equipment	8,475,059.42
Loans and Discounts	77,031,908.48
Less Unearned Income	495,188.98
Less Reserve for Possible Loan Losses	999,848.16
Loans, Net	75,536,871.34
Federal Funds Sold	21,250,000.00
Customers' Liability Account Acceptances	17,856.00
Other Assets	7,158,521.81
Total	\$387,976,229.71

Liabilities

Common Capital Stock	\$ 4,000,000.00	
Preferred Capital Stock	499,100.00	
Surplus	14,150,000.00	
Undivided Profits	11,264,748.32	29,913,848.32
Reserve for Taxes, Interest, etc.		4,276,925.30
Federal Funds Purchased		5,850,000.00
Liability for Capitalized Leases		881,464.70
Dividends Payable		6,051.80
Liabilities Account Acceptances		17,856.00
Demand Deposits	176,709,066.95	
Time Deposits	170,321,016.64	
Total Deposits		347,030,083.59
Total		\$387,976,229.71

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MID-CONTINENT BANKER for August, 1981



Bank Sponsors Program That Spotlights Area As Tourist Attraction

CATTLE and hog farming are paramount to the economy of Ozark County, Mo., where Bank of Gainesville enjoys the distinction of being the only bank. However, the bank felt that tourism held the most potential in terms of increased economic activity. Why? For years, the county, located in the beautiful Missouri Ozarks, has been a favorite retirement area for people from Chicago, St. Louis, Kansas City and other metropolitan areas.

Therefore, the bank, led by President John Harlin, decided to put together a program to boost tourism in the county and thereby stimulate the economy and, at the same time, introduce potential retirees to the area and its many attributes.

Underlying these objectives, says Mr. Harlin, was the valid assumption that, as always, what is good for Ozark County is good for Bank of Gainesville.

Plan of Action. Because the bank's budget was small, it enlisted the aid of

business leaders and resort owners who would benefit directly from increased tourism. However, the bank bears most of the cost of this tourism program.

With the help of the bank's ad agency, BHN, Inc., Springfield, Mo., the bank created a marketable entity, the "Ozark County Natural Vacation." Ads focused on the natural scenic beauty of the area and urged readers to see the "real" Ozarks — an area distinctly different from other Ozarks tourist attractions, such as Silver Dollar City near Branson, Mo.

Previous research conducted by the ad agency indicated that the majority of Ozarks visitors come from within a 400-mile radius of the area. Thus, advertising efforts were directed toward St. Louis, Kansas City, Chicago, Springfield, Mo., and, to a lesser degree, Tulsa, Wichita, Little Rock and Des Moines, Ia.

The media plan included a pre-

printed Sunday newspaper supplement that appeared almost simultaneously in the above cities, plus in most of Illinois' major cities. The supplement was specifically a "vacation guide," which offered information to vacationers in the form of maps and brochures on area attractions and on the area itself. A special travel folder and activities map were created and mailed to every respondent.

Other ads (black and white) were created and placed in the eastern/western Illinois editions and in the Missouri edition of *TV Guide*. Ads also appeared in the *Ozarks Mountaineer*, St. Louis suburban newspapers and the Springfield, Mo., newspaper. Box numbers in print ads were coded and added by the publications for accountability purposes.

Finally, press releases were prepared and mailed to major newspapers in targeted cities.

Then, to enhance the bank's image within its market and to create further awareness, two 30-second TV commercials touting Ozark County's scenic beauty were created. Total production cost was \$2,000. One commercial focused on quaint water mills in the area; the other promoted fishing and activities the bank believed would attract additional vacationers. Superimposed at the end of each spot was the bank's logo, which informed viewers that the commercials' sponsor is Bank of Gainesville and that the bank is "proud to be a part of Ozark County."

Last month, the two commercials won first place in the Springfield (Mo.) Ad Club's 1981 "Addy Award" competition.

Results. By last fall, Mr. Harlin reports, a lot of people had become interested in Ozark County. In fact, a fall festival, "Hootin' n' Hollarin'," was mentioned on NBC's popular "Today" TV program. Other businesses adopted the bank's theme, "This year, see the real Ozarks."

The Ozark County Natural Vacation campaign began in late April, 1980. Six months later, says Mr. Harlin, the efforts had produced 6,992 inquiries at a cost of \$5,587. Preparation and printing of 10,000 travel folders added another \$2,000 to the campaign cost, but, Mr. Harlin points out, "We were careful not to date the piece, so we can continue to use and reprint this brochure in the years ahead."

He says long-term effects of this project are immeasurable, but he believes his community will continue to benefit economically from increased tourist interest.

"While total retail sales in the county increased dramatically between

NO FAST FOODS IN OZARK COUNTY!

There are, however, fresh trout, catfish, bass or white bass direct from our streams and lakes. And the service is like the rest of Ozark County — relaxed and friendly.

So this year, take time to see the real Ozarks. Visit Ozark County.

For more information, including a map of the Ozarks Water Mill Trail, write:

Ozark County Natural Vacation
P.O. Box
Gainesville, Missouri 65655



This year, see the real Ozarks.

This ad, part of Bank of Gainesville's tourism promotion for its area, invites people to "Ozark County Natural Vacation," where there are no fast-food restaurants, but where there are streams and lakes loaded with fish. Ad appeared in various newspapers and regional editions of *TV Guide*.

CORRESPONDENT BANKING. FOURTH'S EXPERIENCE IS A RESULT OF COMMITMENT. AND VICE-VERSA.

At Fourth, correspondent banking means making commitments. It means providing rapid, smooth transactions when needs are critical. It means using the latest, high-speed communications and computer technology.

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*Keith Wiegand and John Robinson,
correspondent bank officers,
The Fourth National Bank of Tulsa.*



1979 and 1980," continues Mr. Harlin, "we can't attribute that directly to our campaign. We are sure, however, that we were at least partially responsible.

"Results from this year's campaign are not yet available, but early indications suggest that our campaign is gathering considerable momentum.

"We may not always be the only bank in Ozark County, but, thanks to this concentrated effort on their behalf, we will remain the only bank in the minds of our many customers." ●●

Bank's Railroad Branch Brings Unique Honor To Its Community

When City National, Dothan, Ala., designed a branch around a former railroad car in 1973, the objective was to focus on the significant role railroads played in the early history and growth of the city. This year, the bank received proof that it had achieved that objective: Its Railroad Branch was officially declared a state landmark by the Alabama Historical Commission by being added to the Alabama Register of Landmarks and Heritage on March 20.



Railroad Branch of City Nat'l, Dothan, Ala., is made up of former depot and railroad cars, including "The Dothan," which became official state landmark this year.

Two months later, a historical marker depicting a brief history of the railroad and its role in Dothan's development was erected. This is the first time the Alabama Historical Commission has designated an official state landmark in Dothan.


Few railway business cars built at the turn of the century ("The Dothan"



Standing in front of marker officially designating Railroad Branch of City Nat'l, Dothan, Ala., as state landmark are (l. to r.) Jim Loftin, pres., Dothan-Houston County Chamber of Commerce; Judy Harris, pres., Dothan Landmarks Foundation; William P. Walker, ch./CEO of bank; and Elaine Johnson, representing Alabama Historical Commission, which gave marker to city of Dothan. Mrs. Johnson was responsible for doing research culminating in presentation of this marker. Her efforts were on behalf of Dothan Landmarks Foundation.

was built in 1901) are still in existence. The bank says "The Dothan" is a fine example of the craftsmanship and tradition established by the Pullman Co. The depot and adjoining historic cars were dedicated as the bank's Railroad Branch in 1974.

"The Dothan" was constructed for the Chicago & Eastern Illinois Railroad Co. as its business car No. 502 and named "The Mount Vernon." In 1958, the car was sold to the Georgia Northern Railroad Co. and renamed "Mount Vernon." It became "The Dothan" when the bank acquired it in 1973.



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Call Pete Knight, Senior Vice President of First Alabama Bank of Montgomery. For your correspondent needs, 205/832-8343.
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Each time the cost of postage goes up, our Bank-by-Mail Deposit Tickets make more and more sense.

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MID-CONTINENT BANKER for August, 1981

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Community-Development Stewardship Belongs to Bankers

INDUSTRIAL and community development was the theme of a talk given at the Tennessee Bankers Association's 1981 convention by James C. Cotham III, commissioner of that state's Department of Economic and Community Development. Although, of course, he was speaking of his state, his remarks could be addressed to bankers everywhere. Highlights of his speech follow:

Never forget that as a banking institution, you basically are part of a community. If you focus broader than that, you will not be tending to your roots; you will lose your grip on the fundamentals of your marketplace. No matter how large your bank is, your business is the sum of individual markets.

The 1980s will be the era of the community. The honeymoon with big government is over. This decade will be a time of self-reliance.

You must take a strong leadership role in your community. The focus of economic growth is on community leadership, but you must know what community growth and community development are all about. Unfortunately, community development is not high enough on most people's list of things to worry about. Surprisingly, few people appreciate the value of community development or the need

for it, and even fewer understand the processes involved.

If your community is to attract new industry, new jobs, new payrolls, new taxpayers, new business opportunities for merchants and new bank deposits, remember this simple principle: Seventy-five percent of everything good that happens to a community happens because of what a community does for itself.

The secret is community preparedness, which, in turn, is the secret of industrial development:

1. Physical facilities — water, roads, utilities, developed land.
2. Schools and livability.
3. Crime/drug rate.
4. Ability to merchandise community to prospects.

These factors are important to industries.

Banks must take the leadership role in industrial-development prospecting. Here are four examples:

1. Make lists of customers, banking connections, former residents, contacts, anyone who, for any reason, might be attracted to your area.
2. Work with your local industrial-development organization and with your state if you wish.
3. If you choose to work independently, at least know what services are offered by organizations such as the

Department of Economic and Community Development.

4. Include your state in your advertising.

Take care of existing industry. It's your best salesman. Existing industry creates 50% of new jobs/capital investment each year through expansions.

Promote exporting of manufactured goods by your customers. There are unusual or unique opportunities, and it isn't that difficult.

Mr. Cotham continued his talk, "With transition comes change. With change comes opportunity. Timing is crucial!" Then, he advised his listeners to:

1. Go get high-tech industry.
2. Go get those companies moving to the growth market of the Southeast.
3. Recruit in Japan and Europe.

Mr. Cotham believes the next two to three years are crucial for bankers to act if their communities are to share in the growth of this decade. As he put it, "*Tend to community!*"

He finished with these remarks:

If we are to succeed, grow, meet job challenges, improve family incomes, increase our economic well-being, preserve our life-styles, we will have to do it ourselves. State and local government officials and community leaders must accept the burden of responsibility and pain of accountability for action or inaction. State and local governments either will have to raise taxes, lower expectations and cut services, or bring in new taxes. If we are to have good schools, good roads, good police and fire protection, remember two things:

1. There is a limit to belt tightening and budget cutting in government.
2. There's a long-term choice — bring in more taxes or raise taxes from within.

To be successful, whether it's your state, hometown or business, he continued, the greatest management obstacles to be overcome are:

1. Inability to *face* change.
2. Inability to *believe* the need to



"If your community is to attract new industry, new jobs, new payrolls, new taxpayers, new business opportunities for merchants and new bank deposits, remember this simple principle: Seventy-five percent of everything good that happens to a community happens because of what a community does for itself." — James M. Cotham III

The Beginning.



This 1958 building doesn't look or act its age.

Inside and out, both the form and function of this bank were recently updated by Bank Building Corporation.

Decades of success and growth had committed Citizens National Bank to their established location, and they'd outgrown their building in the process. Total redesign was needed. Both inside and outside wall surfaces were removed and replaced. Floor area was doubled. In the process of becoming a more use-filled building, the new Citizens has made a strong visual impact on its community.

This project was completed on

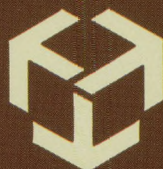
budget and on time, with minimum inconvenience to customers and employees. Which comes with practice: since 1913, Bank Building Corporation has completed over 8000 projects—many of them remodeling assignments.

We know that some older buildings are right for remodeling, while others are not. And we've learned to know the differences between them.

Before your need to remodel or build becomes acute, please call Tom Spalding at 314/647-3800. Let's become acquainted and share more information.

Ask us to show you a new beginning or two.

**Bank Building
Corporation**



1130 Hampton Avenue
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FROM TRAINING



WE'RE GOING A LONG WAY FOR YOU AND YOUR EMPLOYEES.

The Training Film Series is an extraordinary group of award-winning films (or videotapes, should you prefer) designed to inform, educate, and motivate your employees. A success with thousands of Bank of America employees, the films deal with important topics like bank robbery, loss prevention, and customer relations. Each film comes with a Meeting Leader's Guide that outlines the program's objectives and suggests presentation techniques.

Judges at the Emmy's, Chris Awards and other nationwide film festivals found many of these films worthy of prizes and special recognition. We think you'll agree.

If you're in retail finance, you've noticed a change.

Every day you're asked to provide more and more services to your customers, employees and the community at large. To help you meet these ever-increasing demands on your resources, BA Cheque Corporation is offering two new services, The Training Film Series for your employees and The CIRcular™ Program for your customers and community.

They're two important new ways BA Cheque Corporation is going a long way for you.

BA Cheque Corporation sells the CIR/Training Film Series to banks for and on its own account. BA Cheque Corporation acts as independent contractor distributing the CIR/Training Film Series to non-bank financial institutions for and on the account of Bank of America NT&SA.



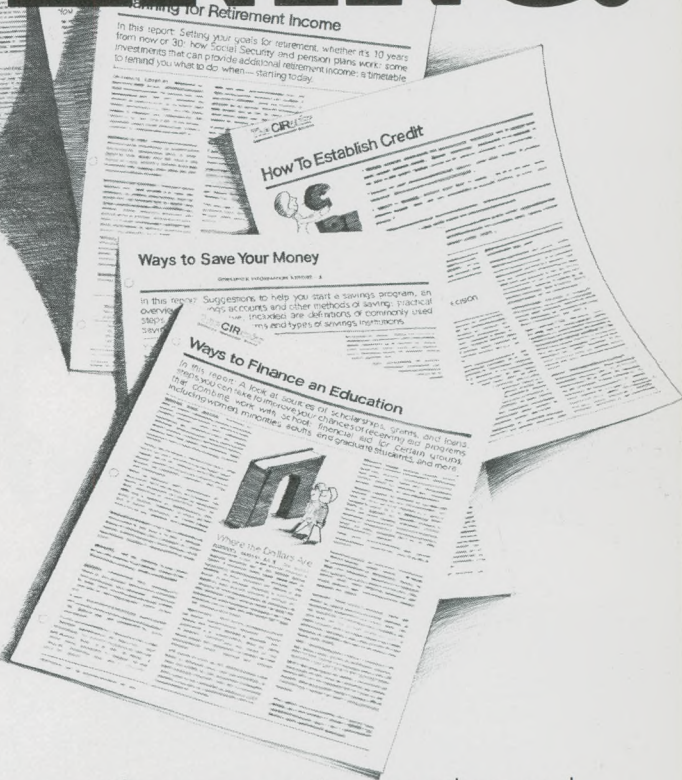
TO EXPLAINING.

WE'RE GOING A LONG WAY
FOR YOU AND YOUR CUSTOMERS.

The CIRcular™ Program is a series of consumer information reports specially created to serve both you and your customers. For your customers The CIRcular reports provide straightforward, practical information on banking services and various aspects of personal money management. The tone is nonpromotional, and the content addresses consumers' questions and concerns.

For your institution, the program provides an opportunity to enhance customer relations, improve staff efficiency, support marketing programs, and demonstrate social responsibility.

Bank of America began distributing The CIRcular




reports five years ago in over a thousand California branches. 80,000,000 CIRculars later, we'd like other members of the financial community to share in the success of this remarkable program.

To find out more about these exceptional programs, call Frank Hyzdu, V.P. Domestic Sales, toll-free at (800) 227-3333 (in California, Alaska, and Hawaii, call (415) 622-4721 collect).

We'll tell you how BA Cheque Corporation can help you succeed in the competitive new era of retail finance. And how we're going a long way for you.

BA CHEQUE CORPORATION 
A BANKAMERICA COMPANY



**BANK AMERICA
TRAVELERS CHEQUES**
We're going a long way for you.

change.

3. Inability to *do something* affirmative about it.

For people, communities or companies paralyzed by routine and which continue to operate using time-worn, traditional methods — doing what is comfortable and being afraid to try anything new — this decade could be a disconcerting time, a time of disappointment and failure. Those communities that are prepared, know how to merchandise themselves and hustle will get their share of jobs and growth in the years ahead. The fact is, we have no guarantees, only an opportunity to rise to our full potential, whether it be state, community or business.

Our economic and social agenda is long. The issues are critical. The

alternatives are not pleasant. The time is too short.

Mr. Cotham's recommendation: Stop looking at life through a rear-view mirror. Quit looking back toward the Garden of Eden. The simple, uncomplicated past, the horn of plenty are gone forever.

Then, he issued this challenge to bankers: As leaders in your industry, accept the stewardship responsibility for tending to the roots of the nation, state and community in helpful, creative and imaginative ways. With a patriot's zeal, accept the challenge of the future. Work creatively and diligently to ensure that our children and grandchildren can have a secure future, that we deliver America's great promise without placing on future generations

social and economic burdens they cannot bear. Your community and state need your leadership!

"Clearly," Mr. Cotham concluded, "we are entering a time in national government that will test our will and our ability to survive as a free nation. If we are to have a new beginning in America, if we are to experience a time of renewal in our country, and if we are to make the most of Tennessee's (or any state's) moment of opportunity in the years ahead:

"1. It will require the highest performance standards for government, community, business, employees and families.

"2. It will demand that we deliver the best of ourselves." ● ●

Inflation Seminars, Speakers' Bureau Sponsored by Bank

First National, Springfield, Ill., believes residents of its city need to voice their support of the President's economic program calling for reduction of government spending, balancing the budget, providing tax relief and reduction of excessive government regulation.

The bank has backed up this belief by holding three financial seminars as part of a coordinated program to help the community cope with inflation and suggest ways residents can help "defeat" inflation. Other elements of the bank's program include development of a speakers' bureau to make financial presentations to various community social and civic groups and sponsorship

of various programs on radio and TV that deal with the economy or other current financial subjects.

The three financial seminars were held in April and May in three separate residential areas of Springfield. Individual presentations were made by a panel consisting of Walter R. Lohman, First National's chairman/CEO; John E. Brubaker, president; and Dean C. Countryman, vice president/investment officer. Question-and-answer periods followed. Pamphlets dealing with inflation and money management were distributed at each seminar.

The speakers' bureau is made up of 28 bank employees. This activity is an expansion of a program the bank has provided for many years through the Springfield-area high schools. The bank sponsors a money, credit and banking course that all students take during their high school careers. Major financial topics for the speakers'

bureau include: "Inflation," "Personal Money Management," "Banking and the Economy" and "The Business of Banking."

Throughout the year, First National will sponsor financially related programs on radio and TV and a series of news articles to support the entire program and offer helpful hints on coping with inflation.

Advisory Service On Financial Futures Offered by Bank

CHICAGO — Continental Bank has introduced its Financial Futures Advisory Service, designed to help corporations, banks, S&Ls and government entities manage their exposure to interest-rate fluctuations through use of financial-futures markets.

The service, offered through Continental's bond/treasury services department, will provide continuing measurement of a client's interest-rate risk and strategic recommendations for managing it most effectively.

The bank's initial task, says Vice President Dennis J. McDonnell, will be to introduce clients to financial-futures concepts and risk-management results that can be obtained.

Specifically, the new fee-based service will explore with clients the feasibility of hedging floating or fixed-rate assets or liabilities, design specific hedging programs and assist in their execution and monitor hedged positions.



Gary L. Hepburn (on podium), v.p./marketing, First Nat'l, Springfield, Ill., introduces speakers at one of bank's seminars on inflation. To Mr. Hepburn's right is Walter R. Lohman, ch./CEO; and to his left are John E. Brubaker, pres., and Dean C. Countryman, v.p./investment officer.



A new third revised edition of the "Directory of Services for Senior Citizens in Nashville-Davidson County" has been published as a joint project of the gerontology program at Fisk University and Commerce Union Bank, Nashville. The directory includes more than 250 listings of services for senior citizens, including health, education, housing and family services. It was compiled by students of the gerontology program with funding provided by Commerce Union. Copies are available at all branches of the bank and at Fisk University.

BankAmerica Corp., San Francisco, spent more than \$17.5 million with over 400 minority-owned companies last year as part of its minority-purchasing program. The bank set up the program in 1972 after a study was made to determine the volume of purchasing that utilized the services and products of minority vendors. The bank defines a minority-owned firm as one with at least 50% ownership in minority hands or at least 51% of the stock owned by minority persons, including Asians, blacks, native Americans and Hispanics. The amount spent by the bank in 1980 represents an increase of \$10.6 million over the amount spent a year earlier.

A "Battle of the Banks" was staged recently between employees of Franklin County Mercantile Bank, Washington, Mo., and United Bank of Union, Mo. Competitions at the annual event include an obstacle course, volleyball, egg toss, football, relay races, bucket race, softball, dunking machine and tug-of-war. The winning bank receives a traveling trophy and each team selects its own "honored athlete," who also receives a trophy. The event is intended to raise funds for the American Cancer Society and the Washington (Mo.) Sheltered Workshop through donations made by those in attendance.

A neighborhood handbook containing comprehensive information about recycling and improving homes, organizational and financial resources available to neighborhood groups, credit sources for home and neighborhood improvement efforts and laws relating to mortgages and the responsibility of financial institutions for neighborhood reinvestment has been published by Manufacturers Bank, Detroit. The 64-page handbook also contains a listing and description of 132 community organizations actively involved in neighborhood improvement in the city. The first edition of the handbook, published by the bank in 1979, was distributed on request to 30,000 individuals.

Banking services to trade fair merchants, participants and visitors was provided for the fourth consecutive year by Second National, Lexington, Ky., at the Rolex International Kentucky horse trials. Bank services offered during the trials included cash advances on charge cards, services to participating trade-fair merchants, foreign currency exchange, travelers' check redemption and deposits.

Photography from "The American Coal Miner," a special report of the President's Commission on Coal, was featured in the lobby of Mercantile Trust, St. Louis, recently in conjunction with the 64th annual meeting of the National Coal Association in St. Louis. The black and white prints were selected from commission photography taken in the coal-producing areas of 17 states in Appalachia, the Midwest and the West. Topics covered housing, transportation, health care and lifestyles of coal miners.

A total of \$3,600 in scholarship prize money was awarded by Manufacturers Bank, Detroit, to 24 out of more than 13,000 students who took part in a current events scholarship quiz cosponsored by the bank and the Detroit public schools. First-place award was \$700. The contest has been held for three years.

Fellowship grants of \$1,000 each were awarded to two outstanding career teachers in the Fort Worth public schools recently by Fort Worth National. The awards are used for advanced study and winners were chosen by a committee appointed by the Fort Worth Classroom Teachers Association. The bank also presented a \$1,000 check to an elementary teacher who was chosen 1981 teacher of the year by the Fort Worth Classroom Teachers Association. This is the 13th year the bank has made the three awards.

Three graduates of University City (Mo.) High School were recipients of \$500 scholarships from Citizens Bank of University City recently. The grants were presented in memory of deceased directors Max Lubin and Donald Green, who were among the bank's founders, and William S. Cohen, a director for 13 years, who died last January. The bank has awarded scholarships for the past four years based on academic achievement, extracurricular activities, leadership and character of applicants. Funds are applied toward tuition at colleges of the recipients' choice.

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D. Ann Orr, Vice President-Trading, keeps an ear to the ground to know what and where the attractive investments are. That's her job. "My ability to perform for our customers," says D. Ann, "is directly related to my knowledge of what they are trying to accomplish in their investment goals. Through our sales people, I have immediate and constant access to our customers and can communicate to them what is available in the market relative to their goals at any given time. This 'dialogue is vital'."

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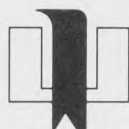
We are a modest sized company, capable of performing every service you'll need. And, though we have no argument with the giants, we believe our size favorably affects the quality of service we offer.

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Handicapped Find Banking Easy At Bank of Albuquerque

DEAF, blind, mentally retarded and physically handicapped persons in Albuquerque should have little or no trouble doing their banking, thanks to Bank of Albuquerque. The bank has formed a "special needs department" to coordinate such new services as: bank by braille; special checks for the visually impaired and blind; telecommunications-phone access and interpreter services for the deaf; accessibility for those in wheel chairs and classes in banking fun-

damentals for mentally retarded persons. The bank doesn't charge for such services.

The new department, headed by Kathy O'Callaghan, special needs consultant, was initiated by the bank's board in a resolution of official bank policy to provide the special assistance needed by a certain segment of the population if that segment is to obtain independent financial experience.

Bank by braille includes special check systems for the visually impaired (enlarged checks for the partially sighted, embossed to simplify finding the proper lines on which to write) and end-stub checks for totally blind customers using braille slates (metal slates with which blind persons can independently handle their own checking and savings accounts).

In addition, the bank provides brailled statements so blind customers can "read" their own statements.

Hearing-impaired customers are not forgotten because the bank provides sign language for them. In fact, 85% of its employees already can "converse" with their hands, having taken a course sponsored by the bank. Miss O'Callaghan says that another sign-language course, which began in July, should result in 95% of the bank staff being able to use it by summer's end.

The bank also offers a telecommunication system (TTY), which allows deaf customers to conduct business by phone, rather than having to go to the bank. Now, using a device in their homes, these customers can contact the bank by phone and receive information available to all customers. The TTY, which requires no special wiring or connection, has a display screen and is designed expressly for deaf people. It's activated simply by placing one's phone handset onto the built-in coupler. The customer dials the bank number, and an indicator light tells the deaf person whether the number they've reached is ringing or is busy. At the other end, the receiving party types a greeting that flashes across an electronic readout display, and the conversation begins.

For the wheel-chair customers, the bank has installed a lowered teller window at its main office and is designing parking spaces at the main office and branches for customers in wheel chairs.

Voter Guide Offered

Everything needed to communicate with the Reagan Administration and members of the 97th U. S. Congress — except an opinion — can be found in the new edition of Budd Co.'s "Voter Information Guide to Federal Officials."

The free 72-page booklet includes Washington mailing addresses and phone numbers in a state-by-state alphabetical listing of U. S. senators and representatives. Information about the President, Vice President, cabinet members and White House staff also are included.

Sections of the guide show committee assignments of each congressman, important Washington phone numbers, addressing procedures for writing officials, officers of the Congress and an outline of how federal laws are made.

Copies can be obtained by writing the firm's public affairs department, 3155 W. Big Beaver Road, Troy, MI 48084.

TTY Service in Ft. Worth

First Nat'l, Fort Worth, says it is the first bank in its area to offer over-the-phone banking services to the speech- and hearing-impaired. It has installed a telecommunication system (TTY), which features a portable teletypewriter that uses the phone to transmit typed messages.



Linda Kwentus of First Nat'l, Fort Worth, demonstrates telecommunication system (TTY), recently installed at bank to benefit speech- and hearing-impaired customers.

"We are pleased to offer this TTY service, which will make banking more convenient and accessible for our speech- and hearing-impaired customers," Says Sam Gill, e.v.p. and mgr./administrative banking group. "By using an in-home TTY unit, a customer can call the First's TTY number anytime between 8 a.m. and 6 p.m., Monday through Friday, and carry on a written conversation regarding savings or checking accounts, loan payments, money-market CDs or any other banking need."

As another part of its special-needs program, the bank sponsors classes in banking fundamentals for mentally retarded individuals working in the community and living in independent or semi-independent situations. They are taught on an as-needed basis (currently two times a week through the summer). Miss O'Callaghan works closely with local service and social organizations, as well as individuals who write to her asking for assistance. Usually, classes are held at the main office. However, many will be held during the school year in special education classes at Albuquerque public schools, at private schools and the State School for the Deaf in Santa Fe.

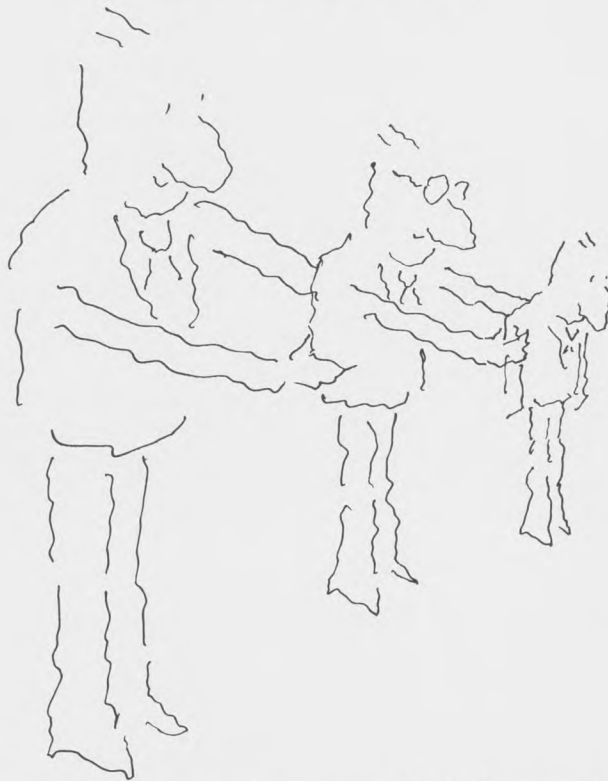
In teaching these classes, Miss O'Callaghan reviews budgeting and savings and checking accounts, including statement balancing. Loan applications, interest, usury laws or credit are taught infrequently, but should any of these subjects arise, Miss O'Callaghan will discuss them.

Besides the above elements of this program, Bank of Albuquerque is reviewing all job descriptions to determine which of its positions can be handled by handicapped employees.

Miss O'Callaghan reports that response to this special-needs program has been positive, and numerous individuals and business accounts have been opened that can be traced directly to it. In addition, she has received calls from other financial institutions across the country and has sent them information on the program. ● ●

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Money-Market Funds: Are Reserve Requirements In Their Future?

Fed Chairman Volcker Makes Such Proposal

A PROPOSAL by Fed Chairman Paul Volcker that reserve requirements be imposed on money-market mutual funds (MMMFs) has brought hearty agreement from the ABA. In fact, Robert W. Renner, chairman, Citizens State, Hartford City, Ind., and head of a 1980 ABA money-market strike force, sums it up this way: "It's about time!"

As could be expected, the Investment Company Institute (ICI), headquartered in Washington, D. C., was quick to voice opposition to Mr. Volcker's suggestion. (See accompanying article.)

One of the reasons the Fed chairman would like to have reserves placed

on MMMFs is that their phenomenal growth to more than \$120 billion poses a problem for conduct of the Fed's monetary policy. And as bankers have been pointing out all along, a substantial amount of this money has been drawn out of community and regional banks. In addition, these funds offer check-writing services, and this — coupled with the fact these funds are offering higher interest rates than banks can pay — puts banks at a great competitive disadvantage.

Specifically, Mr. Volcker would like legislation passed authorizing the Fed to impose reserve requirements on those money-market-fund shares that, in fact, serve as the functional equiva-

lent of transaction balances and to enforce a cleaner distinction between transaction balances and other liquid savings. In other words, he is requesting that the basic premise of the Monetary Control Act (MCA) be kept intact by extending its reserve-requirement provisions to encompass those MMMF shares that provide the function of transaction balances.

Under the MCA, a transaction account is one that's accessible by check or debit card or one that can be used with some frequency for third-party transfers by other means, such as by telephone.

In testifying before the House Banking Committee's Subcommittee on Domestic Monetary Policy, Chairman Volcker said the rapid growth of these funds is having strong implications for competitive positions of financial institutions, cost and availability of credit to certain borrowers and implementation of monetary policy.

"... Given the regulatory and economic constraints on long-established savings and payments instruments," Mr. Volcker continued, "the search for yield and liquidity has led increasingly to the issue of close substitutes for traditional deposit instruments. The resultant blurring of distinctions between what traditionally has been considered money and these close substitutes could result in potentially serious complications for the conduct of monetary policy — particularly for a policy approach focusing on monetary aggregates. Considerations of equity and fair treatment among institutions offering comparable services arise as well. In a broader sense, I also am concerned about the structural implications for the financial system of more and more short-term liabilities subject to rapid shifting among institutions."

He pointed out that funds moving into money-market funds simply are

Volcker's Proposal Termed 'Regressive Step' by ICI

"A REGRESSIVE STEP." That's how the Investment Company Institute (ICI), Washington, D. C., describes Fed Chairman Paul Volcker's suggestion that reserve requirements be imposed on money-market funds offering check-writing services. The ICI maintains this proposal, if it becomes a reality, would reimpose unjustified discrimination between large and small investors.

The ICI, the national association of mutual funds, estimates that nearly half the 6,000,000 shareholders in money-market funds have investments worth less than \$10,000 each.

"Chairman Volcker's recommendations will receive careful consideration by the money-market fund industry," says David Silver, ICI president. "At first reading, it appears that placing reserve requirements on money-market funds offering transaction services will reimpose regulatory discrimination between small investors and small businesses on the one hand and affluent individuals and large businesses on the other in their ability to earn high returns on their cash.

"Affluent individuals and large businesses still would obtain the highest interest rates while maintaining zero-balance checking accounts and by using other devices that enable them to maximize returns on their cash. Everyone else trying to manage their money and earn the highest returns would take a cut in yields. Thus, the proposal would increase the invidious discrimination that current interest-rate controls require between large and small investors."

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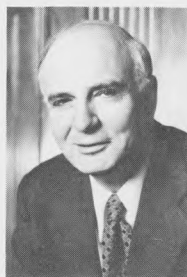
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recycled into purchases of money-market assets, both domestically and internationally. Since most of these assets are issued by banks or their large business customers, said Mr. Volcker, growth of the funds does not appear to have added to liquidity pressures on depositories *as a whole*. But, he continued, money-market funds do tend to concentrate their investments with larger banks and corporations. To the extent that these funds are diverting deposits from smaller banks and thrifts, the effect, as he sees it, is, in the first instance, to channel funds away from borrowers and geographic areas more dependent on these institutions. While market incentives will tend to redistribute the funds to the point of demand, said the Fed chairman, at least for a time, distribution of credit is affected.

"The tendency for money funds to divert resources from smaller banks and thrifts," Mr. Volcker testified, "remains of concern to the Federal Reserve. The board appreciates industry efforts that have been made to broaden the number of banking and thrift institutions from which money funds will purchase negotiable CDs. We also understand those efforts have been impeded by a variety of problems involved with soliciting, packaging and placing CD issues from a large number of relatively small institutions that ordinarily have not raised funds in money markets. Private initiatives to overcome these problems should be encouraged.

"Thus far, evidence suggests that a greater proportion of money-market-fund shares, taken as a whole, seem to substitute for time or savings deposits — as well as purchases of short-term securities — than for transaction balances. Despite their easy redeemability, available aggregate data indicate that money-fund shares on the average turn over only about three times each year — roughly comparable to savings accounts — and that only a few checks are drawn on the 'average' account each year. However, these averages undoubtedly mask a significant amount of transaction activity. Moreover, there are indications that such activity may become more important. For one, several brokerage houses apparently are contemplating offering combined margin and money-market-fund accounts with checking-account capabilities. If they are similar to accounts of this type currently available, they will have no minimum denomination for checks and will be accessible by a credit card, greatly increasing the opportunity for them to

VOLCKER



be used extensively for transaction purposes. Use of money-fund balances for transactions would be further encouraged if discussions now underway to link credit cards and money-market funds outside the context of margin accounts come to fruition. Moreover, even the relatively infrequent use of large checks against a money-market

"Thus far, evidence suggests that a greater proportion of money-market-fund shares, taken as a whole, seem to substitute for time or savings deposits — as well as purchases of short-term securities — than for transaction balances."

fund can enable a customer to reduce his balance in a traditional checking account by bunching his 'small' checks on that account after a transfer from a money-market fund."

According to Chairman Volcker, many traditional intermediaries — by restructuring their assets — are prepared to compete for savers' dollars, but are prevented from doing so by regulations, such as interest-rate ceilings and reserve requirements, which directly affect rates of return they can pay the public.

In referring to MMMFs' growth, Mr. Volcker said, "I would not suggest that the effectiveness of monetary control has been crucially affected so far. We have, however, had to make increasingly difficult judgments about implications of this growth for the defined monetary aggregates. The prospect for continued rapid growth of money-market-fund shares, particularly should their significance as transaction balances rise, as seems likely, makes the issue much more pointed. There is a clear logical case for closing a gap in a monetary-control system built on the premise that reserves should be assessed against transaction balances wherever they might be held. Given recent and prospective developments, the point has strong practical, as well as logical, significance. If we are un-

willing to cope with the problems raised by the growth of these instruments, we have to recognize and be prepared to live with the consequences for the meaning and control of particular monetary aggregates.

"Competitive and equity considerations point in the same direction. We should not be surprised that money-market-fund assets rise relatively rapidly when those funds do not bear regulatory costs associated with similar instruments in depository institutions."

In outlining his proposal that MMMFs be subject to reserve requirements, the Fed official suggested that the Fed should have sufficient flexible authority to put forward definitions of a transaction account to include the many new types of plans with transaction capability that are likely to be developed. He gave this example: an integral coupling of a credit card and a money-market fund or other account, even if the money fund is accessed only once a month to pay accumulated charges.

Mr. Volcker, in his testimony, forecast that money-market funds would react to imposition of reserve requirements on shares that can be used for transaction purposes by segregating such accounts, subject to reserves, from accounts without "checking" privileges. Their customers, he believes, would be offered a choice among types of funds, with the "transaction-balance" account offering a somewhat lower yield. He reminded his listeners that during the short period last year when marginal reserve requirements were imposed on these funds, fund managements amply demonstrated the feasibility and relative ease of "cloning" their funds to accommodate changes in the regulatory environment.

He said that regulatory incentives to separate accounts with transaction capabilities from those providing a convenient and relatively liquid outlet for savings would have several beneficial consequences. They would provide more positive identification of the transaction component of money-market-fund shares for statistical and analytical purposes. Specifically, said Chairman Volcker, the "M₁" definition of money would be cleaner. Monetary control would not be complicated by movements among different types of transaction accounts. As a matter of equity, one important artificial incentive favoring use of money-market funds over traditional depository institutions would be removed. These objectives, he continued, are all

fully consistent with the philosophic framework of the MCA.

He assured subcommittee members that the proposed approach would, in no way, impair returns available to individuals looking to MMMFs as an attractive savings vehicle; such "non-transaction" accounts would not be subject to reserve requirements. The fact is, said Mr. Volcker, even for those for whom transaction characteristics are important, yields on transaction-oriented money-market funds in current circumstances still would exceed those available at such accounts at other institutions. There's no reason to believe, said the Fed chairman, that an approach along the lines of his proposal would lead to substantial shifts in the current distribution of funds among depository institutions and money-market funds, although one perverse regulatory incentive to use of these funds as *transaction balances* would be removed. In time, as interest-rate ceilings are phased out, and as the constellation of interest rates changes, he foresees the relative advantages and disadvantages of money-market funds vis-à-vis depository institutions reflecting market competition. Meanwhile, individuals and businesses would be left with a full range of choices.

"Similar treatment of money-market-fund shares and deposits for reserve-requirement purposes may raise the question of whether money-

market funds might have access to Federal Reserve services and to federal insurance on share accounts," said Mr. Volcker. "We do not believe that is either necessary or desirable. Reserve requirements are a part of the apparatus of monetary control and, in one significant respect, would "level the playing field" in competition for transactions business. However, those reserve requirements would not otherwise impinge on the characteristics of the funds or on their investment portfolios. Banks and thrifts will be facing regulatory ceilings on time and savings-deposit rates for some time and on demand-deposit rates for the foreseeable future. Their asset acquisitions and other operations must conform to a host of other regulations, including, for instance, the Community Reinvestment Act. In other words, in important respects, depository institutions and money funds are, and will remain, different institutions; comparable treatment with respect to reserve requirements does not, in our judgment, require the same treatment in all respects. Indeed, extending Federal Reserve services and federal-insurance privileges to the funds would seem to imply that we also take the further step of invoking the whole panoply of banking-type controls, a step that would seem clearly unnecessary and undesirable."

In conclusion, Chairman Volcker testified: "Recent changes have, in ma-

for part, been stimulated by strong incentives growing out of high and variable interest rates. Those incentives should recede, as we are successful in coping with inflation, but it may take some time for rates to decline and a more stable economic environment to emerge. Moreover, advances in technology, greater freedom for international flows of funds and new packages of financial services facilitated by combinations of firms in different sectors of financial markets are likely to give rise to further rapid developments in instruments and techniques whatever the course of inflation, economy and interest rates. That they will do so is testimony to the vitality of our free-market system and to the wisdom of allowing wide latitude for this system to operate.

"As lawmakers and regulators, we have a responsibility to see to it that this process of innovation does not impair the requirements of monetary-policy formation and implementation or the necessity to protect the safety and soundness of the financial system and the public's confidence in it. The proposals I have reviewed should be viewed in that light — not as a futile effort to turn back the clock, to discourage change or to stifle a new institution, but rather to provide a framework within which change can be consistent with continuing needs of public policy." ●●

ABA Backs Volcker's Proposal

THE ABA supports Fed Chairman Paul Volcker's proposal to impose reserve requirements on money-market funds (MMFs) that serve as transaction accounts.

In fact, even before Mr. Volcker made his recommendation before the Subcommittee on Domestic Monetary Policy of the House Banking committee, ABA President Lee Gunderson, president, Bank of Osceola, Wis., appeared before the Senate Banking Committee on the subject of these funds. The committee, headed by Senator Jake Garn (R., Utah), held two days of oversight hearings on the growth of MMFs.

After the Fed chairman made his recommendation, an ABA staff member told MID-CONTINENT BANKER that Mr. Volcker's philosophy is in keeping with the association's position that checks/transaction accounts should have reserves — that this is equitable since banks have to have reserves

against their transaction accounts.

If the proposal becomes a reality, the ABA staffer says, MMF yields would be reduced about 1%. However, he adds, firms offering those funds probably then would set up two funds — one would offer third-party-payment transfers, and the other still would be accessible, but not through such transfers. Mr. Volcker also predicted this in his testimony.

Robert W. Renner, who headed an ABA money-market strike force on MMFs last year, told MID-CONTINENT BANKER he also foresees such an arrangement if reserves are placed on MMFs. Mr. Renner, chairman/CEO, Citizens State, Hartford City, Ind., suggests cutting out all third-party-payment transfers in these funds. In addition, he would like MMFs to "clean up their advertising." As it is now, these funds' ads are not subject to the many restrictions that apply to banks' advertising.

"Granted," Mr. Renner concludes, "the amount of checks being written is not large, but more and more of them are being written. One even came through my bank the other day!"

In his testimony, ABA President Gunderson voiced bankers' concern at seeing MMFs being promoted to the public as though they are demand-deposit accounts, featuring high interest rates coupled with accessibility through checks.

"Traditionally," he told the senators, "this type of product has fallen within the exclusive domain of depository institutions. This was the legacy of the Banking Act of 1933, the Glass-Steagall Act.

"But money-market funds now make it clear that the old Glass-Steagall divisions no longer serve to provide distinctions between the different sectors of the financial-services industry. But distinctions do exist. Banks serve the credit needs of their

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local communities — money-market funds do not. Banks are required to set aside non-interest-bearing reserves against their transaction accounts — money-market funds have no such requirement.

“It is inequitable on its face for federal regulators to require reserves against one type of transaction account and not against another type of transaction account.”

Mr. Gunderson proposed three ways to correct this fundamental inequity: 1. Reserves could be required against those MMFs that feature checking. 2. If reserves are not deemed to be necessary, they should not be required against any transaction account, including those at depository institutions. 3. The Fed could pay interest on required reserves.

Mr. Gunderson pointed out that it was thought originally that Glass-Steagall kept commercial banks out of underwriting and dealing in securities and kept securities underwriters and dealers out of taking deposits. But marketplace developments are showing that Glass-Steagall is not a barrier, but a one-way street because, as he put it, market developments and an aberration in the law make it clear that only prohibitions on commercial banks are working.

“There is something profoundly disturbing,” said Mr. Gunderson, “when I see the securities industry wrap itself in the flag of free enterprise on the one hand, then, on the other hand, shield itself behind the Glass-Steagall Act in protecting its own service-line monopolies.

“I point specifically to the prohibition against banks managing their own money-market-mutual funds and

Changes at RMA

PHILADELPHIA — Clarence R. Reed, executive vice president, Robert Morris Associates, has been named executive editor, *Journal of Commercial Bank Lending*, RMA's monthly publication.

Mr. Reed joined RMA in 1958, became the *Journal's* editor in 1960 and executive vice president in 1961. Last year, he was named to RMA's board and executive committee.

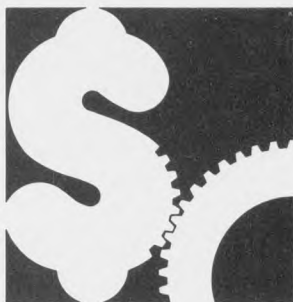
Charlotte Weisman, formerly managing editor of the *Journal*, has succeeded Mr. Reed as editor. She has been with RMA since 1976 and is publications manager.

against banks underwriting revenue bonds.”

The ABA staff member told MID-CONTINENT BANKER that MMFs are being used as transaction accounts and thus affect the Fed's monetary policy and the definition of what is money. Reserves, he said, should apply to any account counted as money.

He pointed out that Treasury Secretary Donald Regan is not in favor of Chairman Volcker's proposal, but favors deregulation. The ABA man said he wonders what Mr. Regan means by that statement.

He added that the ABA believes Congress will not act swiftly on this proposal, and he asked, “How hard will the Fed push it?” If the Fed doesn't get behind the proposal, he said, Congress won't act on it. He pointed out that there was some interest in placing restrictions on MMFs some time ago, but it weakened, and those who proposed such restrictions have backed down. ●●



We talk industrial

It's sometimes a whole different language. And really being able to understand the business challenges and opportunities of your industrial clients can make all the difference.

That's where we can help. We're Armco Industrial Credit Corporation. With our participation programs, we can help you offer your customers equipment or accounts receivable financing that might

not otherwise be possible. Because we specialize in businesses that Armco itself has expertise in.

To find out how we can help you help your clients, call or write to: Armco Industrial Credit Corporation, Dept 171A, 2995 LBJ Freeway, Dallas, Texas 75234. 214-247-7044, 1-800-527-0488. (In Texas call 1-800-442-3824.)

 **ARMCO
INDUSTRIAL CREDIT
CORPORATION**

NBD Bancorp, Inc.

Statement of Condition

CONSOLIDATED BALANCE SHEET—June 30, 1981
(dollars in thousands)

ASSETS

Cash and Due From Banks (including Foreign Time Deposits of \$1,589,406)	\$ 3,220,241
Investment Securities—At Amortized Cost (Market value \$1,451,685)	1,654,330
Trading Account Securities—At Lower of Cost or Market (Market value \$18,564)	18,564
Money Market Investments	1,582,966
Loans:	
Commercial	2,688,730
Real Estate—Construction	58,314
Real Estate—Mortgage	1,190,924
Consumer	562,009
Foreign	606,833
	5,106,810
Allowance For Loan Losses	(64,984)
Unearned Income	(67,766)
	4,974,060
Lease Financing	29,360
Bank Premises and Equipment (at cost less accumulated depreciation of \$90,210)	129,313
Customers' Liability on Acceptances	332,161
Other Assets	242,237
Total Assets	\$12,183,232

LIABILITIES AND SHAREHOLDERS' EQUITY

Deposits:	
Demand	\$ 2,305,933
Certified and Other Official Checks	457,481
Savings	1,427,246
Time	523,072
Certificates of Deposit	1,399,110
Money Market Certificates	1,412,250
Foreign Office	1,664,565
Total Deposits	9,189,657
Short-Term Borrowings	1,665,201
Liability on Acceptances	332,161
Accrued Expenses and Sundry Liabilities	198,126
Long-Term Debt	120,414
Total Liabilities	11,505,559
Shareholders' Equity:	
Preferred Stock—No Par Value	—
<i>No. of Shares</i>	
Authorized	1,000,000
Issued	—
Common Stock—Par Value \$6.25	76,661
<i>No. of Shares</i>	
Authorized	20,000,000
Issued	12,265,747
Capital Surplus	183,312
Retained Earnings	417,773
Less Treasury Stock-at cost—2,746 Shares	(73)
Total Shareholders' Equity	677,673
Total Liabilities and Shareholders' Equity	\$12,183,232

Assets carried at approximately \$792,000,000 (including U.S. Treasury Securities carried at \$24,000,000) were pledged at June 30, 1981, to secure public deposits (including deposits of \$78,960,000 of the Treasurer, State of Michigan) and for other purposes required by law.
Outstanding standby letters of credit at June 30, 1981, approximated \$57,000,000.

For more information about the Corporation, write Financial Communications for a copy of our latest financial report. Or call (313) 225-2596.

NBD Bancorp, Inc. is listed on the New York Stock Exchange (Ticker Symbol NBD).



611 Woodward Avenue, Detroit, Michigan 48226

National Bank of Detroit and its international banking and financing subsidiary, International Bank of Detroit; NBD Commerce Bank, Lansing; NBD Port Huron Bank; NBD Troy Bank; NBD Dearborn Bank; Grand Valley National Bank, Grandville; First State Bank of Saginaw; NBD Portage Bank; Peoples Bank & Trust of Alpena; Farmers & Merchants National Bank in Benton Harbor; West Michigan Financial Corporation and its banking subsidiaries, The Cadillac State Bank and First National Bank of Evart; National Ann Arbor Corporation and its banking subsidiaries, National Bank and Trust Company of Ann Arbor and Monroe County Bank; American Business Finance, Inc.; NBD Mortgage Company; NBD Insurance Company; NBD Financial Services of Florida, Inc.; Michigan Capital and Service, Inc; NBD Financial Services of Michigan, Inc.

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Banks Continue Battle Against Money-Market Funds

AS money-market-mutual funds (MMMFs) continue to grow, commercial banks are creating programs to help them compete with these funds. The July issue of MID-CONTINENT BANKER described several such programs. Now, additional programs have been announced.

Commerce Banks of Missouri. As little as \$5,000 now can buy a new savings certificate, called Bonus Certificate, at 38 banks belonging to Commerce Bancshares, headquartered in Kansas City. It allows purchasers with only \$5,000 to earn interest usually paid on the \$10,000 182-day money-market certificate. The Bonus CD also matures in 182 days and is insured by the FDIC.

Under the Bonus CD plan, a Commerce bank will lend customers up to \$5,000 to meet the \$10,000 minimum. The money borrowed is charged an interest rate of 2% over the money-market rate.

Commerce banks offer this CD as an insured alternative to mutual funds and repurchase agreements, which are not insured since they do not represent deposits.

"We think the time is right for this new certificate," says David A. Rismiller, president, Commerce Bank, Kansas City. "Savers want the high interest rate, but better yet, there is no risk to their investment because the FDIC insures its safety."

Hord Hardin II, president, Commerce-Manchester Bank, St. Louis, says, "Our expectations are that the high interest rate, insured safety and short-term maturity features will make the Bonus Certificate popular not only with existing customers, but with non-customers as well."

Northern Trust, Chicago. This bank has begun offering the Flexible CD, which offers guaranteed rates, cash availability and FDIC insurance.

While providing the high interest

rates of Northern Trust's Money-Market Certificate, the new Flexible CD permits a customer to borrow up to the amount on deposit in the CD, less \$3,000, at a preferred interest rate only 1% higher than the interest the certificate earns.

The bank believes the new product will be especially attractive to those who want to earn the higher interest rates offered through money-market savings certificates without denying themselves access to funds that may be needed for emergencies and unexpected opportunities.

When a Flexible-CD account is opened, the customer receives special checks that allow the customer to borrow \$500 or more. The loan can be repaid at any time, in installments of any amount, or all at once. However, if the borrowing is not prepaid, the loan and interest will be deducted automatically when the Flexible CD is redeemed or renewed.

The Flexible CD can be bought, or renewed, for \$10,000 or more and matures in 26 weeks. The interest rate, determined weekly and based on the previous week's auction rate for six-month Treasury bills, remains constant for the entire 26-week term.

Manufacturers Hanover Trust. New instruments, known as Market Plus accounts, now are offered by this New York City-based bank. They provide a line of credit linked to six-month, 30-month and a combination of 6/30-month time deposits. Minimum initial deposits required are \$10,000 for the six-month and \$1,000 for the 30-month. The option account allows customers to take advantage of short- and medium-term interest swings by guaranteeing the 2½-year interest rate for a full 30 months, by providing the opportunity of moving most of the funds into a six-month account if short-term rates are more attractive.

By using the line of credit, customers have access to money at 1% interest rate simply by writing a check. In addition, the bank says, other benefits a customer receives when opening a Market Plus Account include interest paid monthly, a cash bonus and a NOW account free of monthly maintenance charges for a year.

"These new accounts," says Edward D. Miller, senior vice president/deputy general manager, branch-banking group, "are designed for the customer who is looking for liquidity, flexibility and the highest rates we currently are allowed to offer." ● ●

Commerce introduces the \$10,000 Money Market Certificate for people who don't have \$10,000.

The Commerce Bonus Certificate

In order to earn the highest insured interest possible, you usually need to invest \$10,000 in a Money Market Certificate.

That is, unless you have Commerce's new Bonus Certificate.

With a Bonus Certificate, you can put in as little as \$5,000, and we'll lend you the difference you need to reach the \$10,000 minimum, in increments of \$1,000. Then at the end of 6 months, we'll deposit a check into your Commerce checking or savings account that represents the amount of interest earned on \$10,000, less the interest charged on the amount of money you borrowed.

What's more, Commerce Bonus Certificates are automatically renewable, just like any Money Market Certificate. And they're insured safe, with an interest rate guaranteed for six months. So, you can sit and earning money as long as you want, without worrying about your investment. Interest on the amount you borrow will be figured at an annual percentage rate of just 2% over the Money Market rate at which you purchased your Certificate.

Stop by a Commerce Bank today and find out more about our new Bonus Certificate.

Because \$5,000 will get you interest on \$10,000. At Commerce.

Today's Money Market Certificate rate is

00.00%

Commerce Banks of Greater St. Louis

MANCHESTER, N.A. Windsor and Chestnut Telephone: 652-1400	FESTUS 101 Main Street Telephone: 937-4636	NORTH COUNTY Plattin at Berensford Telephone: 355-3200	ST. LOUIS, N.A. 500 Broadway Building Telephone: 631-5000
BONNE TERRE 7 East School Street Telephone: 358-3333	FLORISSANT 475 North Highway 67 Telephone: 831-2000	PACIFIC 2001 Old Highway 66 West Telephone: 257-3956	UNIVERSITY CITY 6430 Delmar Telephone: 721-4800
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	MOUND CITY 1401 Natural Bridge Telephone: 383-1000	ST. CHARLES, N.A. 1725 First Capital Drive Telephone: 724-4500	

Today's Annual Percentage Rate would be the certificate to renew and the Money Market rate minus. The amount borrowed will be repaid by a promissory note payable on demand.

Interest rate and regulations for this certificate are subject to change without notice. Substantial reserves are required for every certificate of a time deposit. Equal opportunity lender.

This is sample of ad Commerce banks of Missouri are using to tell public about their new Bonus Certificate. This ad, sponsored by St. Louis-area Commerce banks, does not show certificate rate because rates change every week.

American Express Travelers Cheques

MORE REASONS WHY YOUR CUSTOMERS WILL ASK FOR THEM BY NAME.

Every year, lots of things are lost or stolen with people's travelers cheques.

Like credit cards, cash, and identification.

That's why American Express® Travelers Cheques has introduced 5 special services designed to help protect your customers during those times when they may need more than a travelers cheque refund.

Extra vacation protection at no extra cost throughout the U.S. and Canada. All, only from American Express Travelers Cheques.



Credit Card Cancellation

If your customers lose credit cards with their travelers cheques, we'll help them cancel their cards. When they call our Refund Center to report their travelers cheque loss, they simply tell the refund representative that their credit cards are also missing. No matter what time it is, they'll be switched to someone who will assist in cancelling all their U.S. and Canadian-issued cards.

Temporary ID Card

If they lose all their identification with their travelers cheques, we'll issue them a temporary ID. Following verification, they can pick up the ID at an American Express Travel Service office in the U.S. or Canada during business hours. It's an ID with their name and our name on it, so they can use us as a reference wherever they go.



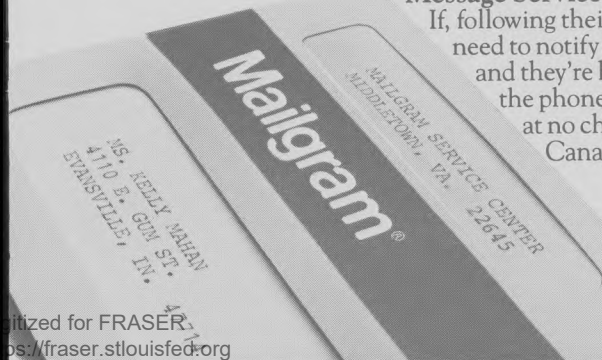
24-Hour Travel Service Hotline

If they need to change travel plans because of their travelers cheque loss, one of our refund representatives can transfer them to the American Express Travel Service Hotline which can help arrange air-line, car and hotel reservations.



Message Service

If, following their travelers cheque loss, they need to notify someone of a change in travel plans and they're having trouble reaching them on the phone, we'll send a Mailgram® for them at no charge, anywhere in the U.S. or Canada. At any hour of the day or night.



Now we protect more than just their money.
Now we help protect their vacation.

Packaged-CD Program for Banks 'Exceeds Expectations' of Issuer

THE FIRST ISSUE of the Packaged Certificate-of-Deposit Program designed for banks by Merrill Lynch Money Markets, Inc. (MLMMI), New York City, totaled \$130 million, which is \$30 million more than the firm was aiming for when it announced the program last May 12.

Another CD-packaging program was announced in June by Chicago's American National, which is working with Shearson Daily Dividend, Inc., to return core deposits to community banks. American National says it is the largest bank to date to develop such a program.

The Merrill Lynch program, described in a feature article in the June issue of MID-CONTINENT BANKER, packages FDIC/FSLIC-insured \$100,000 CDs from community and regional banks and S&Ls into \$1-million and \$5-million units for sale to money-market funds and institutional investors. It is designed for banks ranging in deposit size from \$100 million to \$1 billion and S&Ls whose deposit sizes go from \$200 million to \$2 billion.

According to Roger M. Vasey, president of MLMMI, a subsidiary of Merrill Lynch, Pierce, Fenner & Smith, Inc., acceptance of the issue "exceeded our expectations. Response from the banks has been excellent." He says 50 regional and community banks and four S&Ls in 16 states participated in the initial issue.

Purchasers of the CDs included bank trust departments, municipalities and credit unions, says Mr. Vasey. Additional money-market funds will take part in subsequent issues, with the next issue scheduled for sale August 25. In most cases, continues Mr. Vasey, participation in the Merrill Lynch program must be approved by directors and shareholders of the individual funds, and it takes some time to put such a procedure into effect.

He reports that directors of Dreyfus Liquid Assets have authorized their funds to invest in subsequent issues of the program.

The first issue was priced at 17.30% to participating banks and S&Ls. This rate was based on the Fed CD composite rate — average cost of money-center-bank CDs — on the day prior to issuance.

MLMMI reports that bankers were uniformly enthusiastic about the pro-

gram. Alan R. Morse Jr., vice president, U.S.T. Holding Corp., and executive vice president, United States Trust (Boston), which is participating in the program, says, "Merrill Lynch's action was extremely sensitive to the need to recycle capital back to small and medium-sized banks. By recycling these funds, regional and community banks can provide more loans for their markets and customers. It's a responsible move on the part of Merrill Lynch, and I hope it will be done by others."

Charles Ferguson, president, University National, Denver, says, "Funds received from the Merrill Lynch program will better position us to meet loan demand in our operating area."

American National of Chicago and Shearson Daily Dividend, Inc., a subsidiary of Shearson Loeb Rhoades, Inc. (recently acquired by AmericanExpress), are packaging negotiable CDs for sale to Shearson Daily. Under this program:

- The geographical focus will be on depository institutions in Illinois, Indiana, Kentucky, Missouri, Iowa, Michigan, Wisconsin, Minnesota and Nebraska.

- Negotiable CDs in the package being purchased by the fund will be in principal amounts of \$100,000 per depository institution, complying with FDIC/FSLIC limits.

- The CDs will be written for 90 days with the intent of allowing the fund and participating banks and S&Ls to renew them for up to one year, thus providing a more stable source of funds to participating institutions.

In announcing the new program, Michael E. Tobin, American National's chairman, said, "It is critical that every banker recognize that his source of funds, no matter how remote or historically insulated from other influences, is affected increasingly by today's dynamic money markets. Erosion of deposits faced by our correspondent-banking network motivated us to negotiate the agreement with the fund. The intent of the program is to facilitate the return of deposits into community banks and to stimulate their local economies."

Mr. Tobin added, "The timing of this program is particularly appropriate in that it provides banks with a new source of funds and could be useful in developing asset/liability-management strategies for 1981 and beyond.

Use of this new source of funds by banks and S&Ls will provide valuable experience as we move toward eventual phase-out of interest-rate ceilings, as provided for in the Monetary Control Act of 1980." ● ●

Ag Bankers' Viewpoint

(Continued from page 30)

ours. Farmers and agribusinessmen in the future must be willing to compete for funds and pay the competitive rate to obtain those funds. We have had more of a problem in rate differentials between commercial banks and PCAs than we have between city banks and rural banks. Many Indiana banks have lost both farm and agribusiness customers to the FCS because of rate differentials."

Mr. Bonewitz predicts that ag lending will be one of the greatest growth areas available to commercial bankers in the future. Why? "Increased demand for this country's agricultural products throughout the world in the years ahead will result in increased prices and, consequently, increased demand for credit."

He warns there are problems to be faced, particularly as they relate to the changing and unstable nature of our railroad system. This further compounds problems faced by country grain elevators, according to Mr. Bonewitz. Current legislation before Congress on grain-elevator bankruptcies, if passed in its present form, he warns, will pose great difficulties for commercial banks.

"Commercial banks will continue to face increased competition from the FCS," concludes Mr. Bonewitz, "and from foreign banks entering U. S. markets, particularly in search of prime agricultural credits. We must continue to search for qualified, aggressive lending officers who are able to compete in a highly competitive environment."

The Farm Credit Act amendments of 1980 haven't affected ag lending in the area served by Smith County Bank, Taylorsville, located in a hill section of central Mississippi and historically an agricultural area, according to President Friend B. Walker. As far as he knows, no bank in that area has sought participation in the FCS.

Mr. Walker points to the Farmers Home Administration (FmHA) as the big competition because it has taken over many of his farm customers. Mr.

The time to re-examine your correspondent banking service is now.

The Monetary Control Act of 1980 is now in place. All of its ramifications, its exact impact, cannot yet be predicted. There's no question that major changes are in the wind. The only question is how should you react.

At The Northern Trust, we suggest you take a long, hard look at your present banking needs. How well are you being served now? What are you getting for what you pay? Who is best equipped to meet your future requirements?

As you go down the list of services you require—check collection, wire transfer, whatever—we'd like you to keep in mind the Cost/Benefit equation. Because this is where The Northern Trust earned its reputation.

Our safekeeping and cash letter services rank among the fastest and most accurate available anywhere. Our Cashline Balance Reporting system provides same day information, allowing you to make the short-

term investment decisions that are so critical in today's market. Our prominent position in primary and secondary bond and money markets provides you and your customers greater selection and ready liquidity. And our consulting services for short- and long-term profit planning are unique among Chicago banks.

Where do we stand on loan participations? We are actively seeking both commercial and agricultural, large and small.

There's another, even more important factor you should be aware of: we have a deep and continuing commitment to the correspondent market. We honor our relationships and we respect the relationships that you have so carefully built with your own customers.

If you'd like more information as to how our specially-trained officers might work in your behalf, contact Curtis E. Skinner, Senior Vice President, The Northern Trust, 50 South La Salle Street, Chicago, Illinois 60675. Telephone (312) 630-6000. Member F.D.I.C.

**The more you want
your bank to do,
the more you need
The Northern.**

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Northern
Trust**



Walker says that once a farmer takes advantage of FmHA disaster programs, he goes to the FmHA thereafter. This situation, he continues, seems to apply to large landowner-type farms as well as small ones. Most of the time, a commercial bank is called on only to provide interim financing for these farmers or for financing in excess of the amount provided by the FmHA. Many bankers believe that a lot of farmers who easily could qualify for loans through the private sector are being financed by the FmHA.

Mr. Walker voices an optimistic note when he says, "In my opinion, the family farm is not doomed. Our more stable farm operators continue to pursue aggressively the best farm methods in a scientific manner. These are the same ones who continue to own their land and finance their operations through commercial banks, PCAs or the Federal Land Bank. Large operators who rent farmland for agricultural purposes," says Mr. Walker, "seem to be 'here today, gone tomorrow.'" This poses a serious problem because of poor conservation practices used in cultivating rental land for crops."

Speaking of his own area, Mr. Walker says much of its timberland has been bought by large timber companies (lumber, pulp and paper), which have built large mills and have changed the economy from agricultural to a dual one made up of about half manufacturing/industrial and half agricultural.

In conclusion, Mr. Walker says his bank always has been known as the ag bank in its area, and its dealings with farmers have been pleasant and profitable. However, he warns, "If the present trend continues, soon we no longer will be able to claim the family farmer for a customer. The FmHA will have replaced us as the lender of a great majority of all agricultural loans."

"Concern for survival" is how the current condition of ag banks and producers in New Mexico is described by Craig L. Cosner, vice president, First National, Tucumcari. Drought, high interest rates and product costs, he points out, are the major topics of discussion of every New Mexico farmer and rancher, as well as the concern of every lending institution providing credit to agriculture. He says all three are causing survival problems to all segments of agriculture in the state.

He says agriculture accounted for \$1.1 billion in cash sales last year in New Mexico, an increase of only 3.7% over 1979. If the current drought and depressed cash markets continue, he fears that this figure will decline for

Letter From Reagan

Last spring, Walter V. Allison, ch., First Nat'l, Bartlesville, Okla., started a campaign to get area residents to write letters to government officials, including President Ronald Reagan, voicing their opinions on his economic recovery program. Little did Mr. Allison think one of the letters that would be written would be *by* the President. President Reagan wrote Mr. Allison expressing his appreciation for the banker's assistance and support. In part, his letter said: "The Administration's program for national economic recovery is one that depends on the cooperation of all Americans. Only by working together can we increase the productive capacity of our people, stabilize the rate of inflation and revive the spirit that made our nation great. The challenge is impressive, but well within the abilities of Americans."

In its "You Write the Letter. I'll Buy the Stamp" campaign, First of Bartlesville used full-page newspaper ads, radio commercials and signs in the bank to invite the public's opinions on the President's proposals. Area residents were invited to take their letters to the bank, where postage was applied and then forwarded to Washington. The campaign produced more than 1,000 letters and was the subject of a feature article in the May 1st issue of MID-CONTINENT BANKER.

To increase the campaign's impact, the bank ran a full-page, full-color ad in the April issue of *Oklahoma Banker*, official publication of the Oklahoma Bankers Association, challenging other banks to start similar programs. Several banks in a three-state area adopted the campaign with equally successful results.

1981. In other words, prospects for a profitable year for most of the state's agriculture are not bright.

"This possible decline, throughout the U. S., in farm income, coupled with the increasing cost of lendable funds, is causing a great deal of discussion by every bank's loan and discount committee on how to provide adequate financing at a price agriculture can afford and one that is profitable," continues Mr. Cosner. "Continued growth of money-market CDs and NOW accounts, along with competition from alternate investments, have placed an unusual burden on rural banks in interest they must pay for deposits, and this directly affects all borrowers."

He points out that as of July 1, 1981, New Mexico removed all usury ceil-

ings, and this development should allow banks to price their loans in relation to their cost, provided they still have borrowers.

Mr. Cosner also sees passage of the Farm Credit Act amendments of 1980 and pressure caused by increased interest rates and competition from the FCS as making it difficult for rural banks to continue to provide adequate financing under past terms and conditions.

"Our bank's customers are starting to be concerned over cost of production, and we are seeing a trend whereby renters are turning back land that had been leased previously under a cash lease — a definite movement toward a crop lease. Even though ag producers are concerned over prospects for profit, value of land continues to increase, if for no other reason than speculation."

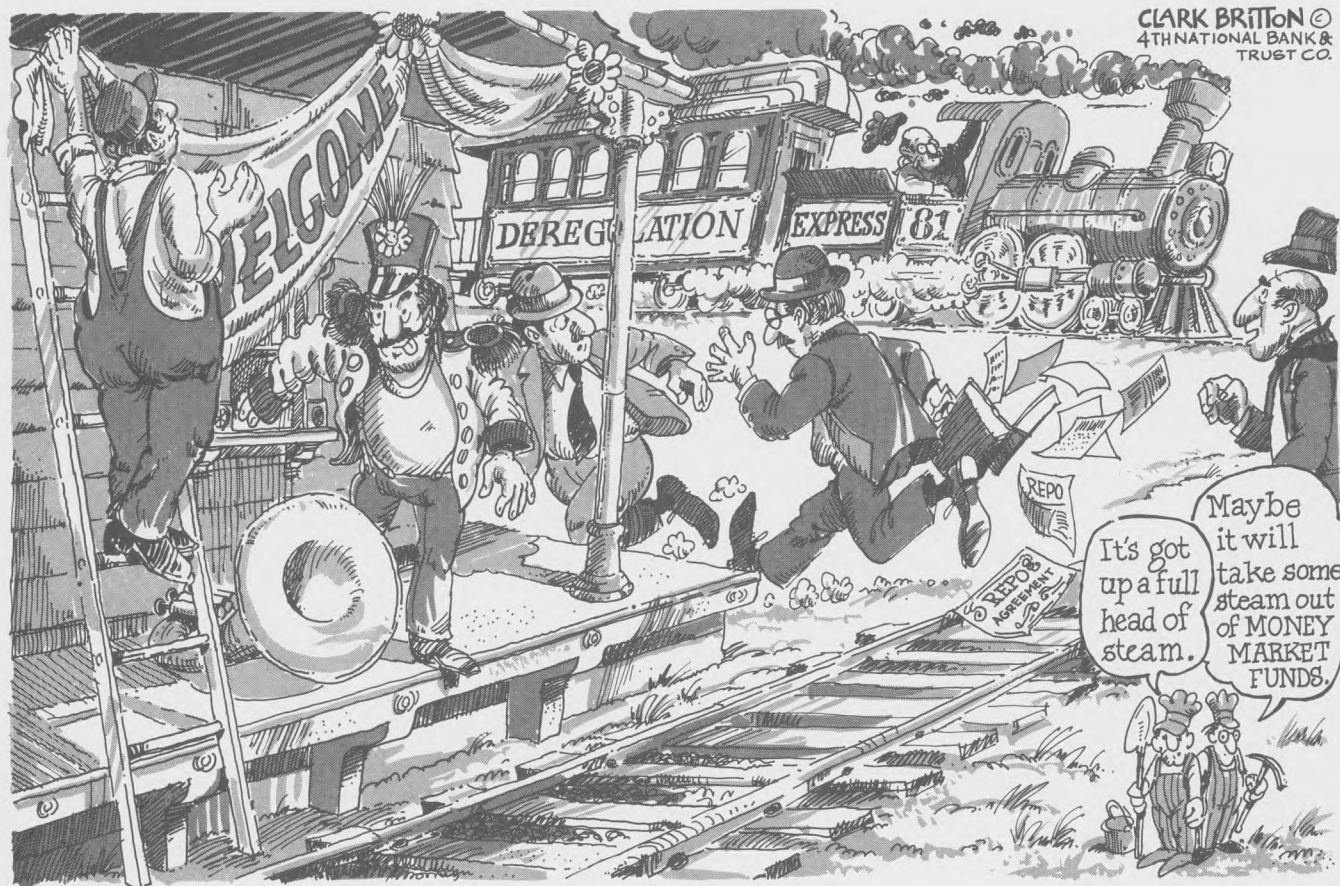
A Kentucky banker, G. Emerson Jones, vice president, Paducah Bank, believes this country has the resources to feed the world, but says we must remove use of grain embargoes and food as a weapon from our foreign policy. Farmers are geared up to produce more than ever before, he says, but they must get a fair return on their investments if they are to continue.

Raw materials produced at reasonable prices by this nation's farmers, continues Mr. Jones, have been its strength in the past and will be even more so in the future.

Speaking of his own state, Mr. Jones says the family farm has survived there primarily because of tobacco, fruits and vegetables. He feels the farm situation is poised for takeoff, but farmers' profits must improve soon. The past three years, most farm products have been selling below costs, he points out, and no industry can survive under these circumstances.

"Somewhere in the future, ag lending will be fantastic," Mr. Jones forecasts, "but, as of now, there is a lot of pressure on banks to continue lending to farmers under less-than-ideal profit conditions." ● ●

Terry M. O'Donnell has been named chairman/CEO and Lawrence A. Hornsten president/chief administrative officer at First City National, El Paso. Mr. Hornsten succeeds Mr. O'Donnell as president/chief administrative officer, a post held by Mr. O'Donnell since 1980. Mr. O'Donnell joined the bank in 1978, following service with First City National, Houston. Mr. Hornsten joined the bank in 1978 and was senior vice president/commercial lending.



RUNNING AHEAD OF SCHEDULE.

WICHITA (IV) — Everybody knows deregulation is on its way. But the timetable appears to be moving up.

The Deregulatory Commission seems to think banks and savings and loans need more and better ways to compete with non-depository competitors.

And they're right, because Money Market funds continue to enjoy unprecedented growth.

The message is clear.

With deregulation coming a little sooner, we all have to work a lot harder to be ready for the new opportunities taking shape.

Every bank, everywhere, needs to act more like a bank than ever before. We can do it by developing our product differences and making our customer services the best in Kansas.

You have the means to

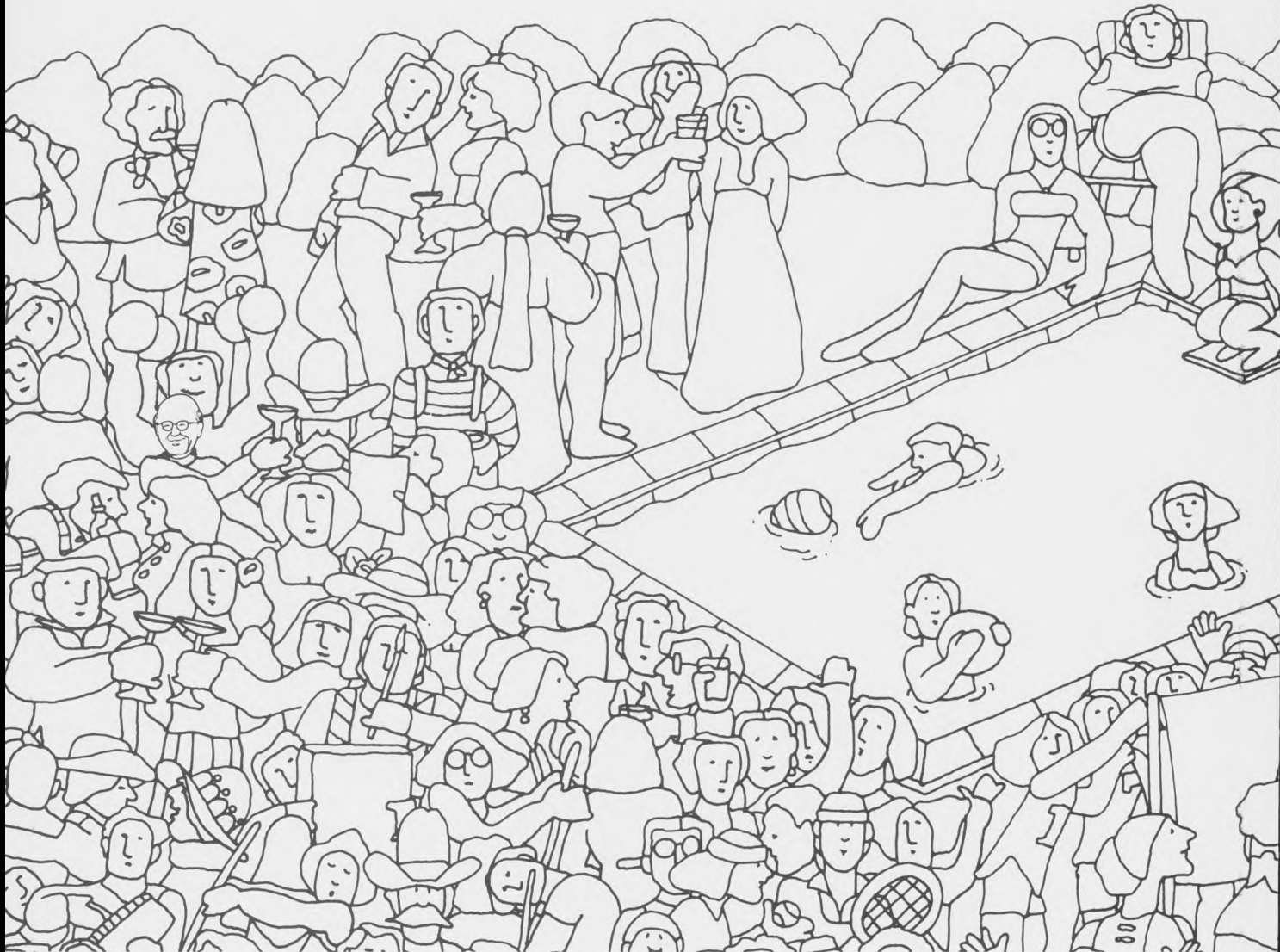
get this very important job done through the correspondent banking services of The Fourth.

Call Joe Stout, Tom Potter, Gage Overall or Max Knopp. They'll help you meet the competition with the experience and the expertise of the largest bank in Kansas.

The Fourth

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Wichita, Kansas 67201/(316) 261-4654
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Find the correspondent banker in this crowd



**And we'll buy you a drink at the
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**Jay Breidenthal, Steve Ashley, Bob Fitzpatrick,
Dick Schwarz and Pam Grisnik will see you
there.**

SECURITY NATIONAL BANK
OF KANSAS CITY

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Special-Interest Sessions Planned for Kansas Regionals

They Will Be Directed to Chief Executive Officers, Middle-Management/Supervisors, Customer-Contact Staffs

REGIONAL meetings of the Kansas Bankers Association — scheduled to be held next month — will be divided into three special-interest sessions: one for CEOs, one for middle management and supervisors and one for customer-contact staffs.

These sessions will be held from 2:5:15 p.m., following a county agricultural key banker luncheon at 11:45 a.m. and registration at 1:15 p.m. A social hour will be held at 5:15 p.m., with a banquet is scheduled for 6:30 o'clock.

Regional vice presidents will preside at CEOs' sessions and at the banquets in their respective regions. CEOs will hear Gary Reser, KBA member relations director, review the association's statewide ad campaign. They will be introduced to the "Broken Arrow Cookie Factory" by the Kansas Council on Economic Education, Lawrence. Finally, they will be invited to take part in a rap session, "What's on Your Minds?," with KBA officers and staff.

Regional secretaries, who helped Mr. Reser put the program together for the regionals, will preside at the middle-management/supervisors' session. Phil Coleman and Joe Gilliam of Jack Parr Associates, Inc., Salina, will discuss "Positive Thinking, Motivation and Leadership."

Messrs. Coleman and Gilliam also will speak at the customer-contact-staff session.

Programs for Regions One, Two and Four will include banquet entertainment, "A Tall Gal With a Tall Sense of Humor," to be presented by Jeanne Swanner Robertson, Burlington, N. C. The other three regions — Three, Five and Six — will hear Arthur J. Holst, Peoria Heights, Ill., describe "A Challenge of a Banking Pro" at their banquets.

Schedules, names of regional vice presidents and secretaries of the KBA

First Week

September 15 — Region Four — Wichita — Century II
September 16 — Region Two — Chanute — Neosho County Community College and VFW Hall
September 17 — Region One — Lawrence — University of Kansas Student Union

Second Week

September 22 — Region Six — Garden City — Garden City Community College and Garden City Hilton Inn
September 23 — Region Five — Colby — Colby Community College and American Legion Hall
September 24 — Region Three — Manhattan — Kansas State University Student Union

regions are:

Region One, September 17, afternoon session and banquet, University of Kansas Student Union, Lawrence; regional VP, Eugene Barrett, chairman, Kaw Valley State, Kansas City; regional secretary, Bonnie Wells, vice president, First National, Lawrence.

Region Two, September 16, afternoon session, Neosho County Community College, banquet at VFW Hall, both in Chanute; regional VP, Gerald W. Barnard, president, First National, Oswego; regional secretary, Bob Bunting, Bank of Commerce, Chanute.

Region Three, September 24, afternoon session and banquet, Kansas State University Student Union, Manhattan; regional VP, Gary Padgett, president, Citizens National, Greenleaf; regional secretary, J. Eric Mann, vice president, Kansas State, Manhattan.

Region Four, September 15, afternoon session and banquet, Century II, Wichita; regional VP, Mahlon Morley, chairman/president, Valley State, Belle Plaine; regional secretary, Tim Haddad, business development officer, Southwest National, Wichita.

Region Five, September 23, afternoon session, Colby Community College, banquet, American Legion Hall; regional VP, R. H. Zimmerman, president, First Bank, Salina; regional secretary, Judy Weber, assistant vice president/trust officer, Farmers & Merchants Bank, Colby.

Region Six, September 22, afternoon session, Garden City Commu-

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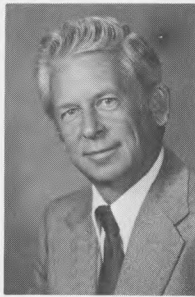
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ity College, banquet, Garden City Hilton Inn; regional VP, Dale E. Oliver, president, Security State, Great Bend; regional secretary, Leonard Hitz, senior vice president, Western State, Garden City.

Eugene Barrett, VP of Region One, joined Kaw Valley State, Kansas City, 18 years ago and moved up from vice chairman to chairman in 1979.

Gerald Barnard, VP of Region Two, entered banking in 1955 at his present bank, First National, Oswego, as vice president and became president in 1967.

Gary Padgett, VP of Region Three, became a banker in 1956, when he joined Wichita's Fourth National. He

went to Citizens National, Greenleaf, in 1960 as a loan officer and advanced to president in 1965. A photo of Mr. Padgett was not available.

Mahlon Morley, VP of Region Four, has been a banker since 1957, when he went to First National, Chanute. In 1966, he joined Valley State, Belle Plaine, as president and became chairman/president last year.

R. H. Zimmerman, VP of Region Five, entered banking in 1953 at First National, Harper. In January, 1967, he became president, First Bank, Salina.

Dale Oliver, VP of Region Six, has been a banker since 1949, when he joined Citizens State, El Dorado. In 1961, he was named vice president, Security State, Great Bend, and advanced to president in 1977. ●●

Fourth National, Wichita, has promoted Cleo G. Simmonds and Maurice L. Junod to assistant vice presidents and named the following new officers: Kathy Anders, new accounts officer; W. R. Hardgrave, trust minerals officer; Mark G. Hejtmank, management services officer; Norma Hinkle, investment officer; Sue Hutchins, operations officer/branch manager; J. Michael Keller, advertising/communications officer; and David Skinner, marketing officer. Fourth Financial Corp. plans to issue up to \$25 million in commercial paper through the bank.

Wallace E. Galluzzi has joined Douglas County Bank, Lawrence, as vice president/community affairs. He had been president, Haskell Indian Junior College in Lawrence, which he joined 17 years ago. He had been an employee of the Bureau of Indian Affairs since 1949 until retiring from the junior-college presidency last December.

Dale Parker has joined Kansas City's Security National as assistant vice president/commercial loan division. For the past eight years, he has been with United Missouri, Kansas City, Mo., most recently as assistant vice president/loan administration.

PEP Coordinators

Young Bank Officers of Kansas (YBOK) has named the following as regional coordinators for its education in personal economics (PEP) program:

Rick Mann, vice president, Kansas State, Manhattan; Dale Hoosier, cashier, Kanapolis State; Roger D. Parson, vice president, Iola State; and Dave Enslin, vice president, Johnson County National, Prairie Village. Mr. Enslin is state chairman for the program.

First National, Hutchinson, has established an investment department in its main-bank lobby. It provides investment counseling and will be involved in sales of CDs, U. S. government and U. S. government agency securities, commercial paper, repurchase agreements and money-market-mutual funds for customers. In the future, this new department will provide information on all new investment opportunities. Its staff is made up of Edwin T. Coons, vice president/investment officer; Virginia Robbins, assistant trust and investment officer; Cathy Lilley and Marce Bauer.

First Bank, Salina, has been sold by R. H. Zimmerman and family to Frank E. Whitham and family of Leoti. Mr. Whitham and H. G. Applegate were named to the bank's board as chairman and vice chairman, respectively. R. H. Zimmerman was reelected president and Jeff Whitham was elected executive vice president.

Bonnie Kaufman Wells has been elected vice president at First National, Lawrence. She formerly was assistant vice president/marketing director. She continues as marketing director and coordinates strategic planning.

First Citibank, Olathe, has promoted John M. Donaldson to assistant cashier. He joined the bank last September, a month before it opened.

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Capital increases have been reported by Roy P. Britton, state bank commissioner, at two Wichita banks. Chisholm Trail State increased its capital from \$400,000 to \$600,000, and University State boosted its capital from \$300,000 to \$800,000. Both increases were made through sales of new stock.

Ranchmart Bank, Overland Park, has changed its name to First Continental Bank & Trust Co.

Bruce A. Long, who was correspondent bank officer, First National, Wichita, has been elected assistant vice president. In other action, the

bank promoted Robert Fay, who joined its staff last May, to vice president/trust investment officer; Gary Donovan from trust real estate assistant to assistant trust real estate officer and Susan Miller from trust representative to assistant trust officer.

Fourth National and its parent HC, Fourth Financial Corp., both of Wichita, have elected Wilson K. Cadman to their boards. He is president/CEO, Kansas Gas & Electric Co., Wichita.

Hutchinson National has elected Gregory L. McFarland commercial loan officer. He joined the bank July 2,

going there from Commerce Bank, Lebanon, Mo., where he was assistant vice president/commercial loans. Chris Schuerer, formerly a personal loan officer, has been named a customer services officer/customer services department. Before joining the bank in 1980, he was manager of the Beneficial Finance office in Hutchinson. Richard Meyer, who also went to Hutchinson National in 1980, has been elected assistant auditor.

Terry King has joined Northgate National, Hutchinson, as president. He formerly was vice president/commercial loans, First National, Hutchinson, which he joined in 1978. He has 10 years' banking experience. Chris Lear, who had been serving as vice president/managing officer at Northgate National, remains with the bank and has been given additional responsibilities.

Harry Wheeler has advanced from assistant vice president to vice president, MidAmerican Bank, Roeland Park. Mark J. Henke was promoted to commercial loan officer and Rita M. Ruysser to consumer banking officer. Mr. Wheeler has been with the bank since 1966 and, in his new post, is responsible for loan operations and acts as compliance officer. Mr. Henke joined the bank in 1979 as a trainee. Miss Ruysser, on the bank staff since 1974, formerly was manager of the credit department. She now is assigned to the installment lending division.

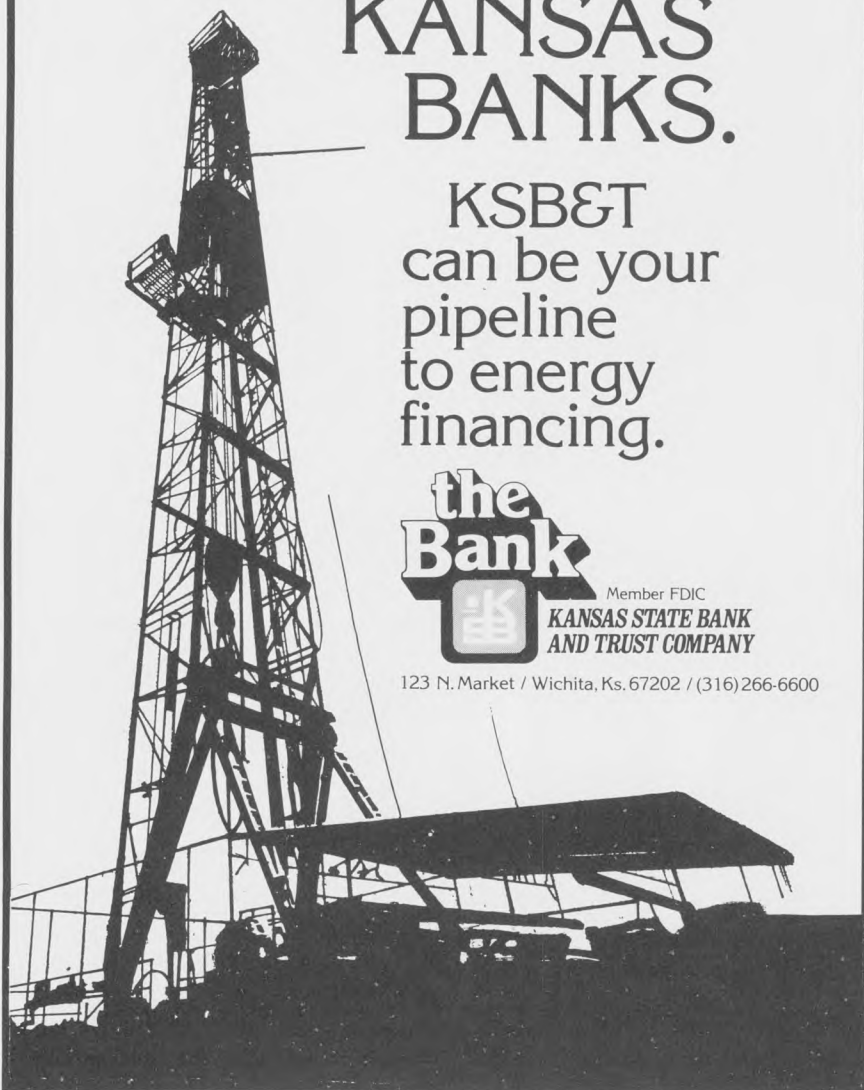
Fidelity State, Topeka, has promoted Thomas Wilds from manager, Fidelity State Garden Bank, to assistant cashier/consumer loan officer, main bank. Craig E. Pederson, a 1981 business graduate of Washburn University, Topeka, has been named manager, Fidelity State Garden Bank. Mr. Wilds joined Fidelity State as Garden Bank manager in 1978.

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Merger Completed

NEW YORK CITY — The merger of Shearson Loeb Rhodes, Inc., into American Express Co. has been completed with approval June 29 of shareholders of both firms. Shearson, second-largest securities firm in the nation, is being operated as an independent subsidiary of American Express and retains its management and board.

Completion of the merger included receipt of all regulatory approvals and filing of a certificate of merger with the state of Delaware.

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This map, supplied by Association for Modern Banking in Illinois, shows five multi-bank HC regions established by new law creating such HCs in Illinois.

Multi-Bank HCs Become Reality For Illinois

county, no farther than 10 miles from the bank.

3. For the additional limited-service facility, statutory home-office protection will be *one mile*. In other words, the third limited-service facility cannot be established closer than one mile from another bank's home office.

4. A bank owned by an HC based in a contiguous region will be prohibited from establishing the facility authorized by this bill within two miles of a bank in any municipality of 10,000 or less population that presently has three or more banks. This "over-banked-community amendment" is a further protection for existing banks. This prohibition will expire seven years after enactment.

Another consideration is: The additional facility will be limited to present powers of existing facilities, including: receiving deposits, cashing and issuing checks, drafts and money orders, changing money and receiving payments on existing indebtedness.

The Illinois Bankers Association, which has been opposed to this legislation, tried to attach amendments that would:

1. Delay the effective date of the legislation from January 1, 1982, to July 1, 1982.

2. Limit concentration of domestic deposits to 10% for each region.

3. Limit acquisition to one bank a year for two years and two per year thereafter, with a maximum of 10.

The bill was supported by the Association for Modern Banking in Illinois (AMBI), which was formed as a result of a rift in IBA policy in the spring of 1973. At that time, the IBA's council of administration — by a close vote of 12-10, with eight members absent — voted to adopt a position of neutrality

MULTI-BANK holding company legislation, a controversy that split the Illinois Bankers Association early in the 1970s, was passed June 18 by the Illinois General Assembly and signed by Governor James Thompson last month.

SB 578 was sponsored in the House by Representative Jim McPike, Alton Democrat, and Representative Ben Polk, Moline Republican, and in the Senate by Senators Roger Keats, Wilmette Republican, George Sangmeister, Mokena Democrat, and Prescott Bloom, Peoria Republican. This bill, which also contains a provision for one additional limited-service facility, is identical to legislation (HB 666) previously passed by the House. The vote was 99 for and 59 against.

The HC provisions of SB 578 are:

1. Banks will be allowed to affiliate under common ownership through a multi-bank HC. Illinois now allows one-bank HCs.

2. Five HC regions will be established.

3. A multi-bank HC can *acquire* banks only within the HC's home region and *one* contiguous region.

4. After date of enactment, newly chartered banks cannot be acquired until they have been in existence 10 years.

Other considerations in the bill are:

1. HCs are regulated by the Fed under the Bank Holding Company Act of 1956.

2. Federal law requires prior approval of acquisitions of both state and nationally chartered banks by both the Fed and Justice Department.

3. The 1977 Community Reinvestment Act requires HCs to demonstrate they are serving financial needs of communities in which they are operating before additional banks may be acquired.

4. A multi-bank HC cannot charter any new (de novo) banks.

Provisions for one additional limited-service facility are:

1. A bank can have one additional facility for a total of three. Banks presently are allowed two facilities — one within 1,500 feet and another within 3,500 yards of the bank.

2. The additional limited-service facility will be allowed only within the home-office county or if outside the

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Edited by Dr. Lewis E. Davids
Editor, The BANK BOARD Letter

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on multi-office banking and inserted this word into the declaration of policy, which was to be voted on at that year's convention. However, IBA members adamantly against any change in Illinois laws learned of the proposed neutral position and introduced an amendment that would reinstate the IBA's traditional opposition to multi-office banking. During the 1973 convention's final business session, speakers appeared for both sides and were followed by a standing vote. Each member bank was allowed one "accredited" vote. Those opposing the neutrality stand won — 396-187 — and the IBA again went on record as opposing any change in state banking laws.

Actually, AMBI was formed in February, 1973, as an outgrowth of an earlier group, Association for Full-Service Banking. However, an organizational meeting of the new group was called after the 1973 IBA convention. At the same time, about 150 banks, including four big Chicago banks — Continental Bank, First National, Harris Trust and Northern Trust — announced they were withholding their dues. In effect, they were withdrawing from the IBA.

AMBI began its aggressive campaign to obtain a change in state banking laws in 1974, when it proposed two major bills: to amend sections of the Illinois Banking Act to provide for establishment of full-service facilities within the marketing area of an individual bank and to repeal the existing Bank Holding Company Act of 1957 and adopt a new act that would allow establishment of multi-bank HCs subject to certain restrictions. One change did occur in the summer of 1976, when a new facility law, approved by the IBA, was passed: HB 1955 allows banks to operate a second remote-

IBA Calls for Unity

The Illinois Bankers Association, in the person of its new president, James A. Fitch, last month called for unity in the banking fraternity. Mr. Fitch, president, South Chicago Savings Bank, recognized passage of a multi-bank HC bill for the state by saying it's time to lay aside differences and to band together again for the good of Illinois residents who use banking services.

Mr. Fitch set unification of a battle-weary industry as his main objective in this message:

"The time has come for bankers to put their differences aside and to get back to the job of serving peoples' financial requirements.

"Federal regulations prevent banks from offering competitive rates to savers. Now that the dust is settling from the fight between the money-center banks and those whose focus is in the community, bankers have to pool resources to get Washington to give bank customers competitive savings rates.

"Our customers don't want us squabbling among ourselves. They would rather see us going to bat for them in the halls of Congress and in the recesses of regulatory agencies to bring loan rates down and interest on deposits up. Bankers fighting bankers for their own purposes do nothing to instill public confidence in the industry."

banking facility within 3,500 yards of a bank's home office. Since 1967, Illinois banks have been allowed one off-site facility 1,500 feet from their main offices. ● ●

Prime Rate Is Out; Index Rate Is In At First American

NASHVILLE — First American National, believing the prime rate has outlived its usefulness, has stopped using it and has begun using its own First American index rate as a reference for pricing business loans.

In announcing the switch, Chairman Kenneth L. Roberts says the prime rate has become a misunderstood standard many people believe is the most preferential interest rate a bank charges its most credit-worthy customers.

The index rate, according to Mr. Roberts, is a standard or guideline for pricing First American's business loans. Its negotiations will be based on a customer's credit standing, compensating balances, other relationships, length of the loan, collateral and many other factors. He emphasizes that the index rate will *not* be a minimum or best rate.

The index rate, he explains, will be calculated on the bank's present and near-term costs of funds and market conditions in the areas it serves. First American will renegotiate existing business loans, using the index rate. However, says Mr. Roberts, should any customer determine that his needs are served best by relating the interest rate on his loan to a published rate, First American will use a rate for that customer that will be the average on any given day of prime rates of three money-center banks: Chase Manhattan, Citibank and Morgan Guaranty, all in New York City. These rates will be rounded to the nearest ¼%.

Should any present customers choose not to renegotiate, he adds, their loans automatically will be priced in relationship to the lower of the two rates.

In addition to First American, Nashville, the index rate will be adopted for business loans by the other seven affiliate First American banks in Tennessee. They are located in Knoxville, Memphis, Clinton/Oak Ridge, Tullahoma, Cleveland, Milan and Union City.

Interest-Rate Ceilings Off in Illinois

ALTHOUGH the Illinois Bankers Association and Association for Modern Banking in Illinois (AMBI) were at odds over multi-bank HCs for the state (see accompanying article), both associations supported a bill to permanently remove interest-rate ceilings on all consumer loans. That bill, HB 438, was passed June 29 by the Illinois House, after concurrence with a Senate amendment.

The amendment states that higher interest rates can be charged only on debts incurred after the date the consumer is notified of the interest-rate increase. The vote was 98 yes, 46 no.

HB 438 was sponsored in the House by Speaker George Ryan (R., Kankakee) and former Speaker William Redmond (D., Bensenville) and in the Senate by its president, Philip Rock (D., Oak Park), and minority leader, David Shapiro (R., Amboy).

In addition to the IBA and AMBI, supporters were the Illinois Savings & Loan League, Illinois Retail Merchants Association, Illinois Credit Union League, Illinois Consumer Finance Association and other members of the consumer-lending industry.

Construction Begins on RepublicBank Center; Tower to Rise 56 Stories in Houston

CONSTRUCTION is scheduled to begin this month on a new 56-story office tower in downtown Houston to be known as RepublicBank Center. The complex will be the new home of RepublicBank, Houston, formerly Houston National.

The construction site is bordered by Rusk, Capitol, Smith and Louisiana streets.

The project will consist of a gabled tower with a three-tiered roof and a banking hall, constructed of glass and Swedish granite processed in Italy.

The new tower will contain approximately 1.5 million gross square feet of space and 1.2 million net rentable square feet of office space. About 50% of the office space has been leased.

Also included in the project are about 12,000 square feet of retail space and underground parking for about

300 cars. Additional parking will be provided in a new garage to be constructed within three blocks of the tower and connected to it by tunnel. The Center will connect to Houston's extensive downtown tunnel system.

Described as being neo-renaissance in architectural style, the Center will feature a pitched or gabled roofline on both the tower and the banking hall. The hall will be 125 feet high and its tiered roof will feature a series of skylights running the full length of the 250-foot-long structure. The banking hall also will feature a mezzanine that will overlook the ground floor bank lobby from 35 feet above.

Entrance to the banking hall will be through a 75-foot-high arched granite doorway. The archway will continue through the banking hall and the tower lobby to a second arched doorway at the opposite end of the project.

Two of the lower office floors in the tower will cross the archway on bridges. Granite will be used extensively in both the mall and ground floor lobbies of the tower and the connecting banking hall. Lobby floors will be paved in a pattern of alternating colors of stone and the sidewalk surrounding the project also will be paved in granite.

In addition to the gables, the building will be divided into three segments by two major setbacks. The gables and setbacks allow tower floors to vary in size from less than 5,000 square feet at the top to more than 30,000 square feet at the bottom.

The building's renaissance flavor

will include spires rising from every roof level to provide variation against the sky. The architects, Philip Johnson and John Burgee of New York City, designed the project along the lines of gabled houses found in the Netherlands.

RepublicBank Center will have dual-pane insulating windows, energy-conserving lighting and energy-efficient heating, ventilating and air conditioning. It will be sprinklered and equipped with emergency pressurization and ventilation systems.

RepublicBank will occupy about 375,000 square feet — more than 30% — of the building's office area. Initial occupancy is expected by the third quarter of 1983.

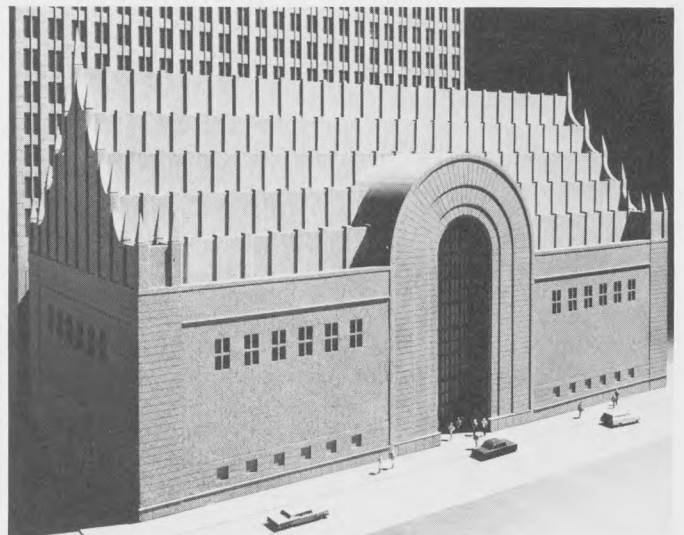
The building will be the sixth home for the bank, which was opened in 1876 with a capital stock of \$100,000. The bank is said to be the second-oldest in Houston.

Its original name was Fox & Wattermack Bankers, but the name "Houston National" was adopted in 1889. In 1928 a move was made to a structure now known as the Fannin Bank Building. In 1964, Houston National merged with Tennessee Bank under the name Houston National and the institution moved into its present quarters in the 33-story Tenneco Building. In 1975, the bank was acquired by Republic of Texas Corp. and last June, it officially changed its name to RepublicBank Houston. It's one of six RepublicBanks in the Houston area and is said to be the city's fourth largest bank with \$1.2 billion in assets. ●●



RepublicBank Center Tower will feature three tiered segments connected to banking hall built of glass and granite.

Banking hall will feature 75-foot-high arched granite doorway. Hall will be 125 feet high and tiered roof will feature series of skylights running entire length of structure.



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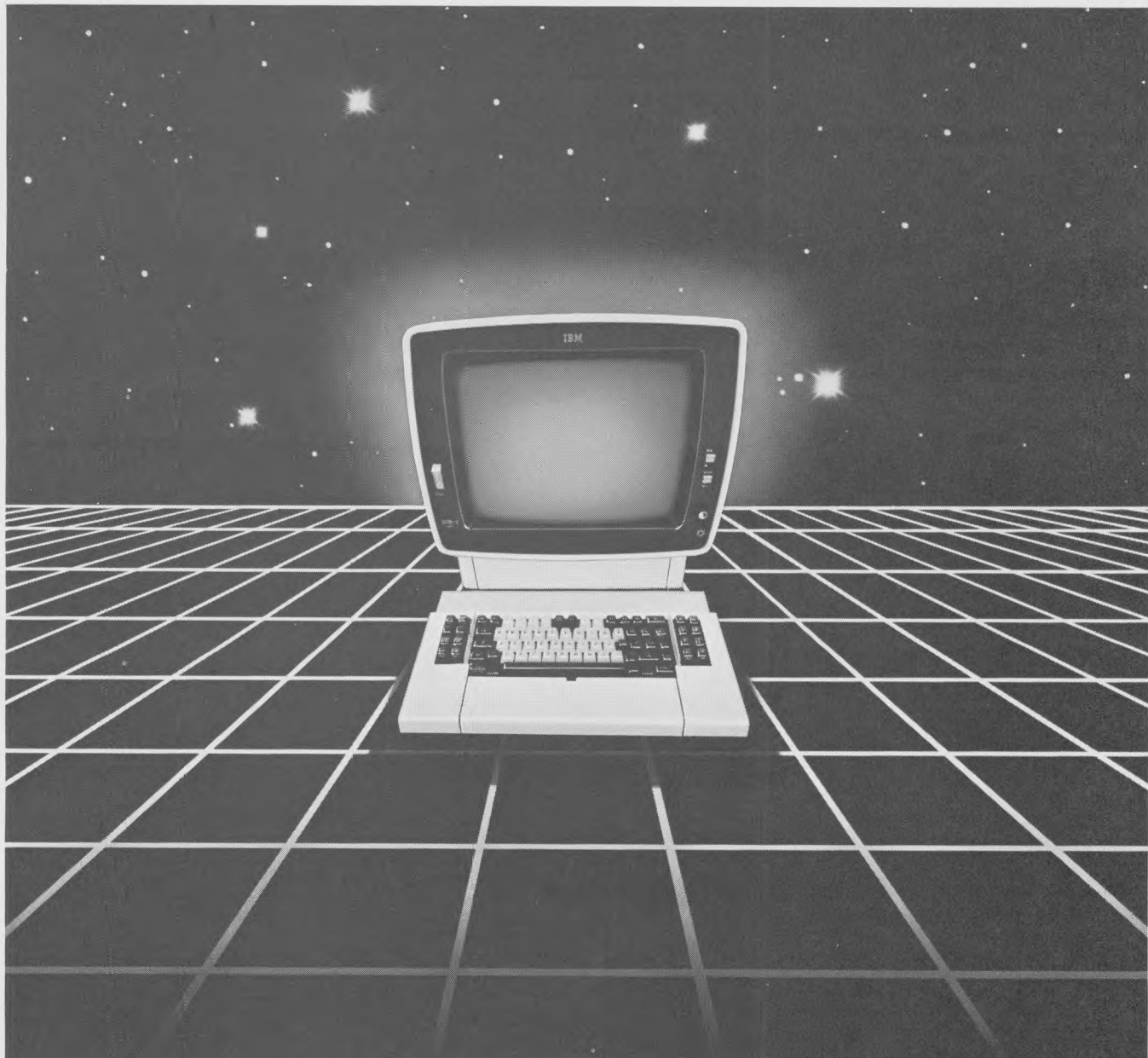
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Jack Whittle, ch., Whittle, Raddon, Motley & Hanks, Chicago, will be featured speaker at MBA regionals.

BANKING deregulation and a review of a survey of state banking legislation will be the main topics to be presented at this year's regional meetings of the Missouri Bankers Association.

Each of the eight meetings, held from September 8 to 24, will feature a presentation on deregulation by Jack Whittle, chairman, Whittle, Raddon, Motley & Hanks, financial marketing group, Chicago. Mr. Whittle is a well-known figure at banking meetings and has appeared at MBA meetings in the past.

Richard Mason, MBA's legislative lobbyist, will present a brief program at each regional. Title of his presentation will be "You Be the Judge — State Legislation." He is expected to review a survey on state legislation now being circulated to MBA members.

All meetings but the one in St. Joseph will begin at 3:30 p.m. and will be followed by social hours, banquets and entertainment. Elections of officers also will be held and members of the MBA nominating committee will be selected.

The first regional will be held September 8 for members of Region One at the Holiday Inn in Hannibal. Vice president of the region is Duane S. Wheelan, president, Perry State. He entered banking in 1955 at First National, Montgomery City. He moved to Perry State in 1964 as cashier and has held the position of president since 1977.

Region Two will meet September 9 in the Trenton High School. Philip

Holmes, president, American Bank, Princeton, is region vice president. He joined his bank in 1971 as assistant vice president. He has been president since 1978.

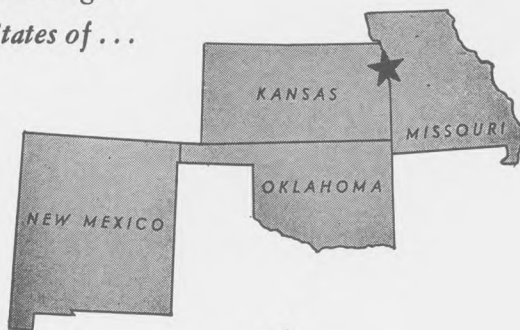
Region Three will meet September 10 at the Ramada Inn, St. Joseph.

Separate luncheons for men and women will be held, followed by an afternoon business meeting. The traditional "awarding of the hat" ceremony

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- Sept. 8 — Hannibal — Holiday Inn
- Sept. 9 — Trenton — Trenton High School
- Sept. 10 — St. Joseph — Ramada Inn
- Sept. 11 — Kansas City — Alameda Plaza Hotel

Second Week

- Sept. 21 — St. Louis — Henry VIII Inn/Lodge
- Sept. 22 — Cape Girardeau — Holiday Inn
- Sept. 23 — Springfield — Howard Johnson's
- Sept. 24 — Columbia — Holiday Inn West

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will be at 4:15, followed by a social hour and banquet. John McConkey, president, First State, New Hampton, is region vice president. He joined his bank in 1971 as cashier and has been president since 1978.

Region Four will meet September 11 at the Alameda Plaza Hotel, Kansas City, and will be presided over by Vice President Rodney R. Hill, president, American Bank, Kansas City. Mr. Hill entered banking in 1949 in Chillicothe and joined his present bank in 1953 as controller. He was named president in 1968.

The second week of regionals will get underway with the Region Five meeting at the Henry VIII Inn, St. Louis, on September 21. Vice president of the region is Hord Hardin II, president, Commerce-Manchester Bank, St. Louis. He entered banking in 1959 at First National, St. Louis, and joined his present bank (then known as Manchester Bank) in 1972 as senior vice president. He was named president in 1978.

Region Six will meet September 22 at the Holiday Inn, Cape Girardeau, and will be chaired by Vice President R. Winston Reed, executive vice president/cashier, Carter County State, Van Buren. He joined his bank in 1973

THE MISSOURI DEPARTMENT OF REVENUE ANNOUNCES COMPETITIVE BID PROCEDURES

The Missouri Department of Revenue is investing available funds under its control on a competitive bid basis and wishes to expand its list of eligible banks. If you are not presently on the Department of Revenue's bid list through previous request and are interested in bidding, please submit your name and address to: Investment Officer, Missouri Department of Revenue, P. O. Box 629, Jefferson City, MO 65105. Detailed bid procedures will be provided to all responding banks.

Regional Vice Presidents



HOLMES



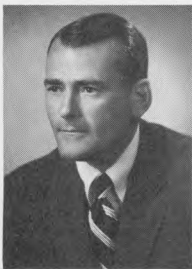
WHEELAN



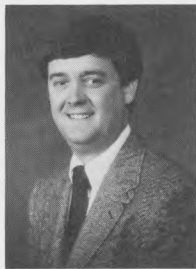
McCONKEY



HILL



HARDIN



REED



PRICE



CLINE

as assistant cashier and was named executive vice president in 1977.

Members of Region Seven will convene at Howard Johnson's Springfield, on September 23. Larry L. Price, president, Bank of Kimberling City, is vice president. He entered banking in 1962 at Bank of Taney County, Forsyth, and joined his present bank in 1973 as president.

The final regional will be held on September 24 at the Holiday Inn-West, Columbia. It will be chaired by Vice President John R. Cline, chairman/president, Commerce Bank, Mexico. Mr. Cline entered banking in

LAST YEAR WE THOUGHT THERE WERE GREAT CHANGES TAKING PLACE IN BANKING (WE EVEN SAID SO IN AN AD) HOW RIGHT WE WERE! HOWEVER, THIS YEAR, EVEN MORE CHANGES ARE TAKING PLACE

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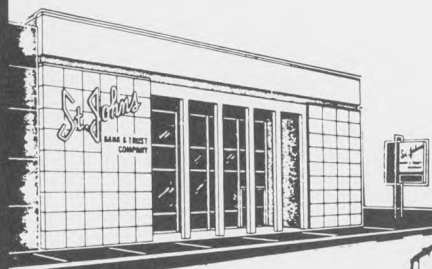
Bankers are known for their willingness to share knowledge and discuss issues.

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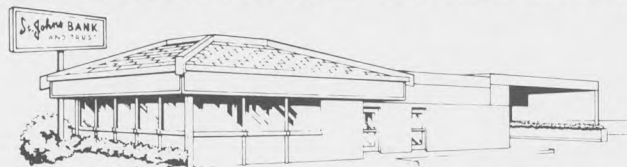
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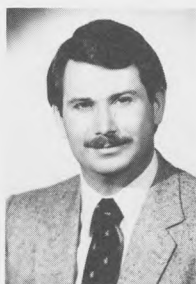
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1949 at Monett and joined his present bank in 1969 as executive vice president. He was named chairman/president in 1970. ●●

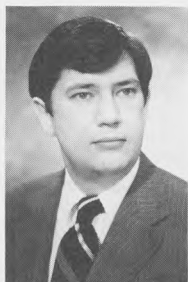
Jane H. Rawlings and **Denis H. Dieker**, both in the correspondent banking division of St. Louis' Mercantile Trust, have been promoted — Miss Rawlings to vice president and Mr. Dieker to assistant vice president. Miss Rawlings went to Mercantile in 1979 as assistant vice president, the same position she had held at a Nashville bank. She heads Mercantile's metropolitan group. Mr. Dieker joined Mercantile last year as a banking officer, going there from a commercial-lending post at a Wichita bank.



RAWLINGS



DIEKER



BARNETT

William J. Barnett Jr., vice president, First National, St. Louis, has been named head of the correspondent division, succeeding T. Barton French, senior vice president. Mr. French has

been appointed head of the special industries group. Mr. Barnett joined First National in 1974 and, most recently, was manager, soft goods group/metropolitan division.

First National of KC Announces Formation Of Funds Mgt. Division

KANSAS CITY — First National has formed a new funds management division for acquisition and management of funds other than loans and demand deposits. The new division will execute asset/liability strategies.

Thomas H. Holcom Jr., senior vice president, heads the division, whose first priority will be an intensified effort to acquire purchased funds. **Charles E. Greenway**, senior vice president/money center manager, will direct the effort to buy and sell these funds, which include short-term items such as \$100,000 CDs, Fed funds and similar instruments.

The funds management division will maintain First National's bond portfolio and will offer portfolio-advisory services. It will create a new function, a bond trading department, to better serve investment needs of individuals, corporations and respondent banks. The division also will have responsibility for wire transfers and related operations. Other responsibilities include development of new instruments to meet customers' investment needs.

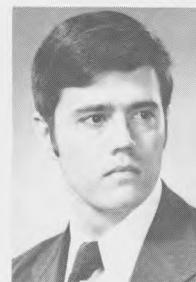
First National's parent HC, First National Charter Corp., has purchased 200,000 shares of its common stock at \$33 per share under terms of its offer to stockholders dated June 1, 1981. Stockholders tendered more than the maximum of 200,000 shares. Therefore, the purchase was on a pro-rated basis, with each stockholder receiving payment for about 88% of

shares tendered. Those shares not purchased by the time the offer expired July 3 were returned to stockholders. Payment was made July 9.

Thomas G. Papa has been promoted from vice president to senior vice president, First National, Kansas City, and made head of the bank's correspondent/regional department. He succeeds Senior Vice President **Donald R. Lackamp**, who resigned to pursue his personal investments. Mr. Papa, who also directs correspondent/commercial banking for the midwestern area, joined First National in 1979, going from Kansas City's Commerce Bank. First of Kansas City also promoted **Michael A. Luby Jr.** from vice president to senior vice president. Mr. Luby, with the bank since 1973, is responsible for its commercial customers beyond the Midwest.



PAPA



LUBY



THIEBAUTH



GUERNSEY

John J. Thiebauth has joined Commerce Bank, St. Louis, as president/CEO. He had been CEO, Stange Co., St. Louis, the past 1½ years. He also has spent 14 years in banking and once was vice president in charge of the national division at St. Louis' Mercantile Trust. At Commerce Bank, he succeeds **George Guernsey III**, who has retired, but is doing consulting work for St. Louis-area Commerce banks. Mr. Guernsey joined Commerce Bank, St. Louis, in the summer of 1979, going from Commerce-Manchester Bank, also in St. Louis, where he was executive vice president. He joined that bank in 1948.



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United Missouri, Kansas City, has promoted the following: to senior vice president/investment department, Roger N. Tranckino; to senior vice presidents/trust department, David Anderson and Edward J. McShane; to vice president/investments, Ralph L. Lampton; and to vice president and manager/estate planning division, Lawrence A. Knecht. Peter Gabrovsky, formerly with City National, Atchison, Kan., has been elected assistant vice president/credit department at United Missouri. United Missouri Bancshares and City Bancshares, also of Kansas City, will be affiliated. When approved, the merger will give United Missouri Bancshares its 22nd affiliate bank, City Bank, Kansas City.

Brian E. Cuddy has advanced from assistant vice president to vice president, First National, Kansas City. Ron R. Mason has moved up from assistant cashier to assistant vice president, and Hazel L. Brown and Erica J. Steele have been elected assistant cashiers.

Boatmen's National, St. Louis, has announced these promotions: to senior vice president/loan administration, Gregory L. Curl; to senior vice presidents/trust division, Tom S. Eakin Jr., Robert E. Fischer and Alfred F. Graves; to vice presidents/retail banking, Thomas E. Bechtold and John H. Matthews; to assistant vice president/retail banking, Lawrence K. Otto; and to assistant vice president/commercial banking, Robert L. Seper. David L. Foulk has been named assistant vice

St. Louis Move Planned

ST. LOUIS — Landmark Bancshares Corp., a multi-bank HC based here, plans to apply for a charter to open a new national bank in the Gateway Mall area of downtown St. Louis.

The HC now has six banks in St. Louis County and one bank in adjacent St. Charles County.

president/assistant secretary. Gary J. Harris, formerly with banks in Texas and Missouri, has been named assistant vice president/credit department manager at Boatmen's.



LEWINSKI



SHEERIN



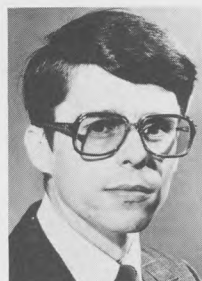
KEMPER



GESSNER

Gerald Lewinski has been elected vice president/human resources director, St. Louis County Bank, Clayton. He joined the bank in February, 1980, as assistant vice president/assistant personnel director. In other action, the bank advanced George P. Whitelaw II from commercial banking officer to assistant vice president and Landsden McCandless III to commercial banking officer. County National Bancorp., the bank's parent HC, has promoted Martha R. Sheerin from secretary to vice president/secretary.

Commerce Bancshares, Kansas City, has elected James W. Gessner to its board and David W. Kemper an advisory director. Mr. Gessner is president/CEO, Missouri Pacific Railroad, headquartered in St. Louis. Mr. Kemper is senior vice president in charge of planning, Commerce Bank, Kansas City, the HC's lead bank. He joined the bank in 1978.



CURL



EAKIN



FISCHER



GRAVES

Edward F. Began Jr. has been elected assistant vice president/loan coordination, First National, St. Louis. Joann M. Reber has been named assistant cashier at the bank's Chippewa Banking Center facility, and M. Jill Stotler has been named to the same position at the Stadium Drive-in facility.

Died: Nestor W. Riemeier, 79, retired chairman, Commerce Bank, Kirkwood, of a heart attack June 27. A 50-year member of the Missouri Bankers Association, Mr. Riemeier was president, Kirkwood Bank, when it was sold to Commerce Bancshares, Kansas City, in 1969.



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Legislative Victory Celebrated by Bankers At New Mexico BA Convention in Albuquerque

MORE THAN 1,100 bankers and spouses braved a heat wave to attend this year's New Mexico Bankers Association convention in Albuquerque. While the temperature soared into the three-figure mark, bankers rejoiced over a most successful year in the state legislature while they fretted over the inroads money-market mutual funds are making in garnering savings deposits of the public.

Republican congressman Joe Skeen, the maverick who attained his seat through a write-in campaign last fall, called on bankers to help perpetuate the U. S. system of government and do everything they can to resurrect the nation's faltering economy. He said the \$1 trillion national debt is totally unacceptable.

Last November, he said, the populace decided to make big changes in Washington — the result of a change of thinking about government and those who are elected to run it. As a result, he said, the former policy of Congress having no budget process has come to a stop. He said the viability of the nation depends on a balanced budget and he added — partly in jest — that if the programs Congress enacts were submitted to bank supervisor scrutiny, most would be classified!

"If we don't get the tax burden off the backs of Americans," he said, "the incentive to produce will no longer exist." He cautioned against the shifting of financial assets out of the state to money-market mutual funds and predicted that President Reagan's economic recovery program will be enacted. "The President has tremendous fortitude and is the best of communicators," he said.



J. R. Nunn (r.), receives western painting in recognition of his service as NMBA pres. from Grant J. Morper (l.), s.v.p. Citizens Bank, Tucumcari, and Mrs. Morper. Mr. Nunn is pres., Citizens Bank.



Roy A. Richardson, Western Bank, Artesia, proudly displays plaque designating him as member of NMBA 50-Year Club.

He also assured bankers that regula-

tory problems plaguing the industry are being dealt with in Washington.

J. R. Nunn, president, Citizens Bank, Tucumcari, presided at the convention. During his president's address, he reflected on his year in office. He said the association must continue to nurture disagreement. If the association is to remain strong and if it is to prosper, he said, it must serve as a clearing house for communication among the state's banks.

He recounted how well the association works by citing his dissatisfaction with the idea of raising membership dues. After considerable discussion, Mr. Nunn remained convinced that higher dues were not called for, but, since the association board voted to raise dues, the action was taken. Now, he admitted, he realizes the action was necessary.

ABA President-Elect Llewellyn Jenkins, chairman, Manufacturers Hanover Trust, New York City, spoke to the issues of inflation, managing the money supply, banker consensus and money-market funds, among other topics.

He said that, in the past 25 years, we have allowed spending programs to be enacted that have given the nation a "beautiful case of inflation." He complimented the Fed for doing a tremendous piece of work with what it has to work with. He said it's not a simple matter for the Fed to manage the money supply.

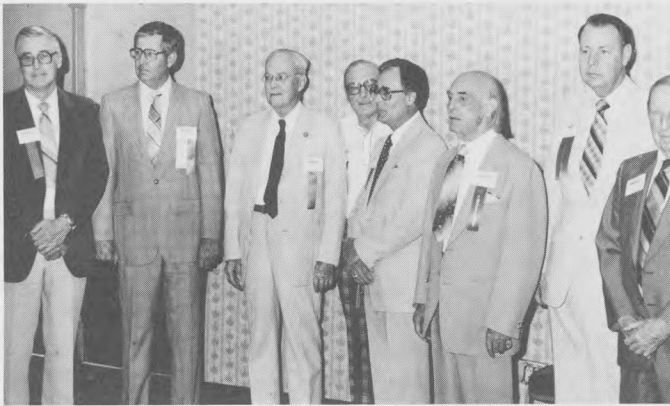
He described the efforts of the ABA to achieve "one voice" status for the banking industry so it can present a united front to Congress. This too, he said, isn't always a simple matter, since there are so many issues that bankers disagree on. Recently, he said, the ABA had to be ready to testify in Congress on 14 bills affecting banking. He told bankers about the success of the ABA's leadership council's attempts to achieve consensus.

He urged bankers to cultivate ties with their congressmen so legislators



New NMBA officers pose with outgoing Pres. J. R. Nunn (l.). They are Robert L. Hayes (2nd from l.), pres., Ruidoso State — pres.-elect; J. Larry Carter (2nd from r.), pres., First Nat'l, Albuquerque — pres.; and Richard G. Elkins (r.), pres., Rio Grande Valley Bank, Albuquerque — treas. Mr. Nunn is pres., Citizens Bank, Tucumcari.

Past presidents of NMBA were introduced at convention. From l., they are G. Kenneth Brashar, Claude E. Leyendecker, Edward H. Tatum Jr., W. R. Nicks, Henry Jaramillo Jr., G. Wilbur Jones, Leon G. Harmon and J. P. Brandenburg.



no longer could insist that they never hear from their banker constituents.

In promoting President Reagan's economic recovery plan, Mr. Jenkins said that one of the greatest causes of inflation is fear, or a lack of confidence in the system of government. "That's the reason we need the President's recovery plan," he said.

Sharon Janecka, NMBA executive vice president, reported that 10 states have tried to limit money-market mutual funds in their areas, none of which have been successful.

She reported the success New Mexico bankers had in their own legislative halls, culminated by the signing of a bill to remove interest-rate ceilings on all forms of lending. She noted that the legislation contains a two-year sunset provision and warned that a re-examination of the law is sure to come up, perhaps sooner than most bankers would expect. She urged them to be alert to attempts to prevent the bill from being extended beyond its initial two-year period.

New Mexico Governor Bruce King earned the gratitude of bankers by signing the bill eliminating usury ceilings. During his convention address he indicated that he relied on the talents of the banking industry for many of his programs. He said the banking industry has been extremely helpful in its management of permanent-fund monies. He called for streamlined management of the permanent severance tax fund.

He also said he was sorry to see Arthur Ortiz leave his post as New

Llewellyn Jenkins, ABA pres.-elect, addresses NMBA convention.



Mexico director of financial institutions after more than four years' service. But he said the new director, Andy Swarthout, will be "stringent but fair." Announcement of the change was made at the convention.

Incoming NMBA president J. Larry Carter, president, First National, Albuquerque, congratulated bankers on their part in making the legislative session so satisfying for the banking industry.



Art Ortiz, retiring dir., New Mexico Financial Institutions Div., accepts oversized dime in recognition of his service from J. R. Nunn, NMBA pres.

Among speakers at New Mexico BA convention were (from l.) New Mexico Governor Bruce King; Art Ortiz, giving final report as dir. of New Mexico Financial Institutions Div. (he now is pres., United Southwest Bank, Santa Fe); Sharon Janecka, NMBA e.v.p. (said to be only woman holding such a position); and Joe Skeen, New Mexico congressman.



Among resolutions passed by the convention was one supporting a balanced budget by controlled spending and enactment of Administration economic goals. Another resolution made public the association's opposition to money-market funds and strongly urged legislation to enable financial institutions to achieve parity with the funds. Other resolutions praised outgoing President Nunn and honored Kenneth Wilbanks, 1979-80 NMBA president, who died shortly after leaving office.

Retiring NMBA Treasurer Ike Kalangis, president, Capitol Bank, Sante Fe, was elected for a two-year term on the ABA's governing council. Mr. Carter was advanced to NMBA president; Robert Hays, president, Ruidoso State, was elected president-elect and Richard Elkins, president, Rio Grande Valley Bank, Albuquerque, was elected treasurer.

New NMBA directors, to serve for three years, are Eddie Pullman, president, Western Bank, Clovis; Ernest Romero, president, Centinel Bank, Taos, and Richard Berg, president, International State, Raton. — Lawrence W. Colbert, Assistant to the Publisher. ● ●

First National, Albuquerque, has promoted William G. Odins to senior vice president, Irene M. Sanchez and Gary Campbell to vice presidents and Mike Dalton, Susan Forcum, Cynthia Gonzales and Antoinette Montano to assistant cashiers. Mr. Odins joined the bank in 1971 and is trust department manager.

New Mexico Banquest Corp., Santa Fe, has appointed Jeri L. Laxson as vice president of its newly formed investment/financial services group, and Carol A. Golden as assistant vice president in the financial/operations group.

First State, Taos, has elected Edward B. Bennett Jr. to its board. He is chairman, New Mexico Banquest Corp., parent firm of the bank.



News

About Banks and Bankers

Alabama

Roy W. Gilbert Jr. has been elected president, Southern Bancorp. of Alabama, Birmingham. He continues as chairman/CEO, First National, Birmingham, the HC's lead bank.

Kay K. Kelley has been named vice president, First Alabama, Montgomery, and E. Spencer Knight was elected assistant vice president, both in the commercial loan division. Mrs. Kelley originally joined the bank in 1964 and left in May, 1980, to become executive director, Alabama Commission on Aging, after being appointed by Governor Fob James. Mr. Knight joined the bank this year and formerly was with a local finance company.

H. Edward McTyre has been named vice president/controller, Central Bank, Birmingham. Since 1972, he had been with Northeast Bankshare Association, a bank HC in Portland, Me., where he was accounting/tax officer.

First National, Birmingham, has promoted the following to assistant vice presidents: Janis M. Copeland, operations administration; Carole T. Frawley, manager, Crestline Branch; Linda M. Gaffney, personnel; and W. Paul Huckeba, corporate banking services. Joseph C. Sugg has joined the bank as assistant vice president/corporate banking.

First Alabama, Birmingham, has elected Wimberly Miree Jr. vice president/senior trust officer, Stanley E. Neuhaus vice president and Wanda Koontz assistant vice president. Mr. Miree is an administrative officer and head of operations/trust department. Mr. Neuhaus is manager of the downtown office. Miss Koontz is manager, Mountain Brook Office.

The Fed has approved the application of BancIndependent, Inc., Sheffield, to become a bank HC by acquiring First Colbert National, Sheffield.

Peoples Bank, Selma, has promoted Schuster Siegel and Jack P. Tucker from vice presidents to senior vice presidents.

Litigation Is Settled Over Proposed Merger Of Bank With HC

Agreement has been reached between First Alabama Bancshares, Montgomery, Southland Bancorp., Mobile, and several parties who previously had opposed the proposed merger of Merchants National, Mobile, with First Alabama Bank of Mobile County, a subsidiary of First Alabama Bancshares. The agreement provides for settlement of all litigation over the merger among parties signing the agreement.

The former opposition group has agreed to support the merger of Merchants National and First Alabama Bank of Mobile County. As a result, the Comptroller's Office has canceled a hearing that had been requested by the opposing parties.

As a part of the agreement, Merchants National and First Alabama Bank of Mobile have agreed to sell three branches in the Mobile area, with deposits totaling approximately \$25 million, to a new bank that is to be organized under control of the group that formerly opposed the merger. The sale will take place on the effective date of the merger or as soon thereafter as the new bank is organized.

On approval of the merger of Merchants and First Alabama/Mobile, Southland will create two new seats on its board, to which nominees of the former dissident group will be elected. On affiliation of Merchants with First Alabama Bancshares, if the former opposition group holds a majority of stock of Southland, that group will select 14 new directors.

If the merger now is approved by the Comptroller, Merchants of Mobile, following its merger with First Alabama/Mobile County, will be affiliated with First Alabama Bancshares; and Southland Bancorp. will have as its affiliate City National of Birmingham, together with a new Mobile bank, which will own the three newly acquired branches.

Arkansas

Worthen Bank, Little Rock, has reorganized its divisional structure into three groups: banking services, financial management/staff services and deposit generation/liability management. Promoted to executive vice presidents to direct the groups were Michael E. Cissell, banking services; Robert L. Trammel, financial management/staff services; and R. L. Qualls, deposit generation/liability management. Mr. Cissell, correspondent banking division manager, has been



CISSELL

QUALLS

TRAMMEL

with Worthen nine years; Mr. Trammel joined the bank 10 years ago, and Mr. Qualls joined the bank a year ago. The banking services group consolidates the bank's traditional lending services and includes the correspondent banking, commercial, consumer and trust divisions. The financial management/staff services group centralizes the bank's financial management and includes the financial management, investment banking, properties management and operations divisions. The deposit generation/liability management group centralizes delivery of banking depository services and includes the marketing, branch administration, human resources and electronic banking divisions.

Citizens State, Bald Knob, has moved into its new building, located one block from its former site. The 8,100 square-foot building features an exterior of brown brick with windows of bronze tinted glass. The lobby has a 16-foot clerestory to provide natural light. A second story can be added when needed. Included in the build-



New building of Citizens State, Bald Knob, features contemporary design. Bank is observing its 50th anniversary this year.

ing are six teller stations, three note-teller stations, a safe-deposit area and a computer room. There is room for 30 cars in the parking area. Drive-in service is available across the street from the bank at a facility built in 1976.

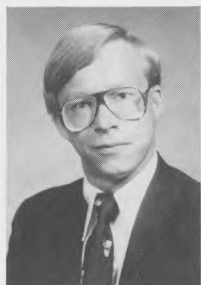
First National, Little Rock, has become a wholly owned subsidiary of First National Bancshares, a one-bank HC. Bank shareholders have received one share of HC stock for each bank share they held. Executive management and board for the HC remain the same as that of the bank, with Edwin C. Kane serving as chairman and William L. Cravens as president.

Norbert E. Schwarz has joined City National, Fort Smith, as executive vice president/chief administrative officer/director. He formerly was a principal of a management consulting firm in Rockford, Ill., and has had 18 years' experience with banks in Illinois and Wisconsin.

Southeast Financial Bankstock Corp., McGehee, has acquired McGehee Bank.

Illinois

Don G. McNeely, vice president, Springfield Marine Bank, has been appointed head of the correspondent department. He joined the bank in 1966 and has been a vice president since 1980. Mark E. Janiak, loan officer, has assumed additional responsi-



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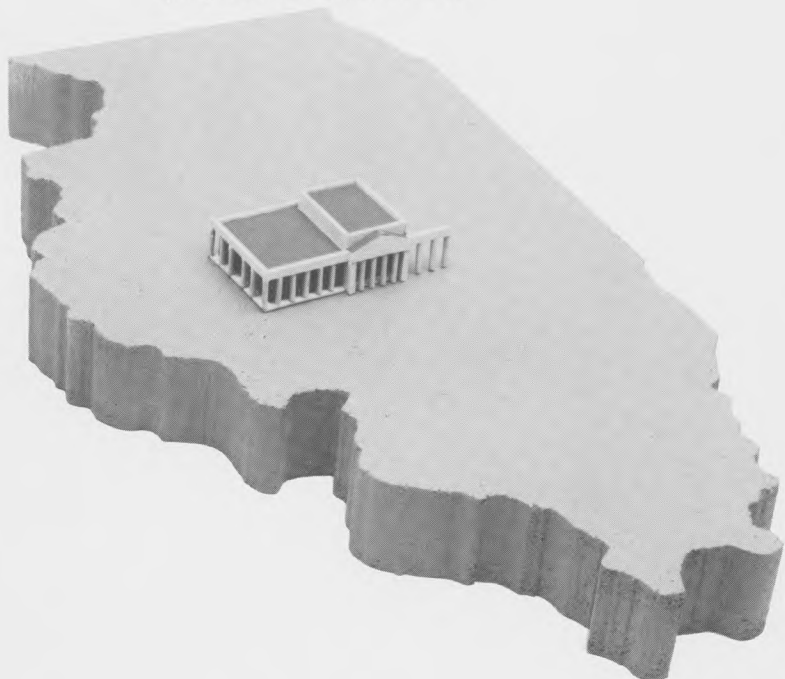
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Marine Bank

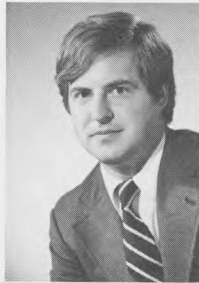
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bilities for Answer Switch and other electronic banking services available to financial institutions. He joined the bank in 1979 and was named loan officer in 1980.

Northern Trust, Chicago, has promoted John V. N. McClure and Michael J. Cundy to vice presidents, Hernan A. Floyd and Randi Christensen to second vice presidents and elected David W. Grainger to its board and that of Northern Trust Corp. Mr. McClure is in the commercial banking department and Mr. Grainger is chairman of an electric motor and equipment firm.



McCLURE

Continental Bank, Chicago, has promoted Theodore E. Bulow, Kenneth J. Fetzner, Thaddeus P. Vannice and William A. Saer to vice presidents and elected Cathy S. Callender, Robert G. Sinn, Jean Allen, Jeffrey J. Powell, Robert G. Syphers and Paul J. Binder second vice presidents.

William C. Neill has been elected an assistant vice president at Harris Bank, Chicago. He joined the bank's investment department in 1979, following service with Marine National Exchange Bank, Milwaukee.

Jay B. Walters has joined Sears Bank, Chicago, as executive vice president and head of the correspondent, commercial and international divisions.

Leo J. Hogan has joined National Boulevard Bank, Chicago, as senior vice president/commercial department. He formerly was with First National, Chicago, where he headed the metropolitan/manufacturing division.

Central National, Sterling, has promoted Lois I. Anderson to vice president/marketing, James E. Mills and Bob Pennington to consumer loan officers, Judith E. Fisher to associate loan officer and Dorothy Forward to investment officers' assistant.

Indiana

Indiana National, Indianapolis, has promoted John P. Whiteman to vice president/trust officer and Elaine F. Bedel and Margie A. Crawford to assistant vice presidents/trust officers. New officers include Nancy N. Block, trust officer; Judy K. Brown, associate legal counsel; Marilyn S. Heishman, data processing officer; Drew R. Pattyn, branch officer; and Susan M. Wigenhorn, operations officer.

St. Joseph Valley Bank, Elkhart, has opened a new banking center in Bristol. The 2,800-square-foot one-story building features three drive-through windows and a community room. Manager of the new facility is Thomas E. Young, vice president.

bank at the time of its organization in 1973. He has served two terms in the Kentucky Senate, during which time he served as majority whip for two years and majority caucus chairman for four years. Mr. Stacy's son, C. K., is vice president at Bank of the Mountains.

Expected to assume the KBA presidency at the convention is Allan S. Hanks, president, Anderson National, Lawrenceburg, who has served the KBA as president-elect since last fall. He entered banking in 1948 at his present bank, was named assistant cashier in 1953 and president in 1971.

KBA Treasurer is Myrvin Mohler, president, Bank of Benton. He joined the bank in 1946 and has held every officer position in the bank. He was named president in 1969.

Kentucky

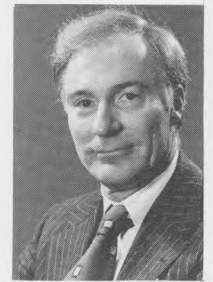
Kentucky Bankers Assn. To Hold Convention In Louisville Sept. 13-15

LOUISVILLE — The 87th annual convention of the Kentucky Bankers Association will convene at the Galt House here on September 13 and continue through September 15.

Speakers and entertainment activities will be announced at a later date.



RUE



BOYD

Top-management changes have been announced by First Kentucky National Corp. and its major subsidiaries, First National Bank and First Kentucky Trust, all of Louisville. William M. Rue was named vice chairman/chief financial officer of the HC, with responsibility for financial systems and information, budgeting and corporate planning. He formerly headed the investment-management and trust functions of First Kentucky Trust in addition to other HC-management responsibilities. Morton Boyd Jr. was named president/chief administrative officer of First National Bank, succeeding A. Stevens Miles, who remains president/CEO of the HC. Mr. Boyd had been responsible for the bank's commercial accounts divisions. In his new post, he oversees all banking activities for individuals and businesses. William O. Rudd has been elected president/chief administrative officer, First Kentucky Trust, also succeeding Mr. Miles. Mr. Rudd formerly was responsible for the bank's consumer accounts divisions, including branch offices. Now he is responsible for First Kentucky Trust's trust and investment-management activities, including bond trading. He continues to direct activities of the National Proces-



HANKS



STACY



MOHLER

Joe Stacy, president, Bank of the Mountains, West Liberty, is KBA president for 1980-81. His banking career began 35 years ago at Commercial Bank, West Liberty. He resigned as president of the bank in 1969. He was named president of his present

sing Co., which processes large volumes of sales documents generated by a diversity of retailers on a national basis. Messrs. Boyd, Rudd and Rue also were named directors of First National Bank and First Kentucky Trust. John W. Barr continues as the HC's chairman.

United Kentucky Bank, Louisville, has promoted Randall H. Devers to vice president/trust officer, Harry T. Richart III to vice president/retail banking, Ron D. DeWeese and James P. Wheatley to assistant treasurers/retail banking and Donna A. Russell to assistant treasurer/marketing planning.

First Security National, Lexington, has promoted Harry R. Arnold to vice president/operations and internal services, Douglas S. Lee to assistant vice president/operations and internal services and Rita Evans, Karen M. Frary, Phil Halley, Kitty L. Fox and Ruth A. Reda to assistant cashiers.

Citizens National, Bowling Green, has promoted Dan Sharer to vice president and Joni Parrent to assistant vice president. They joined the bank in 1967 and 1979, respectively. The bank has opened a temporary banking facility in Smiths Grove on Highway 101. A permanent facility will be built on the site, with completion expected early next year.

Louisiana

Samuel Andrews and Lawrence H. Ellis Jr. have joined Bank of New Orleans as vice presidents. Mr. Andrews, who formerly was with a large Mobile, Ala., bank, also was made marketing director at BNO. Mr. Ellis had been with another local bank. At BNO, he will develop corporate loans and deposits. In other action, the bank has promoted Wayne J. Borne from assistant vice president to vice president, Lawrence J. Laurie from assistant cashier to assistant vice president, Peter B. Vicknair from data pro-

cessing officer to assistant vice president and Louise E. Huete and Stephen E. Sullivan to assistant cashiers.

Joycelyn J. Johnson has been promoted to assistant cashier at Liberty Bank, New Orleans. She joined the bank in 1973 and had been bookkeeping department supervisor.

John Rankin Wilbourne has been promoted from senior vice president to executive officer/branch administration, First Guaranty Bank, Hammond. He went to the bank in 1974 from First National (now First Tennessee), Memphis.

Fidelity National, Baton Rouge, has promoted Robert J. J. Morris from vice president/auditor to senior vice president, Donald T. Heroman from assistant vice president/planning officer to vice president and Louise K. Albright from auditor to vice president/auditor.

Mississippi

Harold H. Clopton III has been promoted from vice president, Brookhaven Bank, to senior vice president in charge of the consumer loan department. Mitchell Davis, senior vice president, has assumed responsibility in the commercial loan department. Mr. Clopton joined the bank as assistant vice president/installment loans in 1974 and became vice president in 1978.

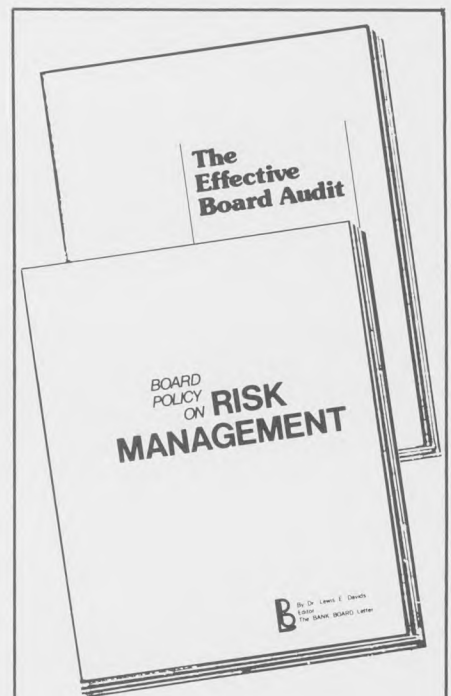
Missouri

Mercantile Trust, St. Louis, has promoted Rosalie P. Randazzo from data processing officer to assistant vice president and Mary L. Keener from assistant trust officer to trust officer.

Plaza Bank of West Port, St. Louis County, has changed its name to Boatmen's West Port Bank to identify it as a subsidiary of Boatmen's Bancshares, St. Louis.

Oklahoma

Dick Soergel has joined Liberty National, Oklahoma City, as assistant vice president/manager, U. S. government bond trading division. He formerly was with University Bank, Stillwater. Promoted to assistant vice presidents were Fred Breckenridge, John Carruth, James Davis, Ben Hibensternberg, Richard Legako, Cynthia



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Shipp, Sandra Webb, Steve Kimball, Donna K. Jack, Steve Mattingly and Karyn Miller.

First National, Oklahoma City, has elected John R. Bowles and Jess Thomas vice presidents/trust officers, James A. Tappan vice president/bonds and promoted Thomas R. Pixton and Roger N. Steed to assistant vice presidents/trust officers.

Central National, Enid, has named Charlene R. Smyly and Charles E. Barnes vice presidents. Mrs. Smyly formerly was with a petroleum firm and Mr. Barnes formerly was with Fort Worth National. He has been named head of the regional banking department.

Rex Privett has joined the Oklahoma Bankers Association as director of public affairs. He formerly was vice president/legislative and public affairs at First National, Oklahoma City. He is a veteran of 16 years in the Oklahoma House of Representatives, where he served four years as speaker pro tempore and six years as speaker of the house.

First National, Bartlesville, has promoted Dennis O. Cabbage Jr. to vice president, D. Leonard Hope to financial vice president/cashier, Felix Roquemore Jr. to trust officer, Richard Spurgeon to assistant trust officer, Jean Hoskinson to assistant cashier/corporate secretary and Pat Lippert and Margaret Taggart to assistant cashiers.

Tennessee

James S. Patteson has been named president, Citizens Bank, Savannah. A native of Memphis, he most recently served as a vice president at Park National, Knoxville. Previously, he was associated with First Tennessee banks in Knoxville and Memphis.

Donald L. King has been appointed president, Union Bank, Pulaski. He recently served as vice president, Tennessee National Bancshares, Maryville, and as senior vice president, Blount National, Maryville. He began his banking career with Third National, Nashville, in 1954.

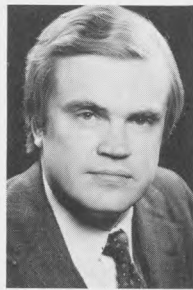
Dwight Grizzell has been promoted to assistant vice president at Third National, Nashville. He joined the bank in 1972 as a management trainee.

First American Corp., Nashville, plans to acquire First National, Jackson. First National was established in 1873 and has five branches.

David B. Ramsay has been elected president/CEO, Hamilton Bank of Johnson City, succeeding J. Lloyd Langdon, who had been chairman/president since 1979. He will remain as chairman. Mr. Ramsay joined the bank last September as executive vice president/chief operating officer. He formerly was with American National, Chattanooga. In other action, the bank has elected Clifford C. Andes vice president/branch manager. He joined the institution in 1956.

Texas

RepublicBank, Dallas, has established a mining/minerals division, headed by Vice President Phillip T. Dixon, former vice president, mining division, Continental Illinois National, Chicago. Also on the staff is Gary P. Thomason, assistant vice president/lending



DIXON

officer/mining engineer, formerly with Mellon Bank, Pittsburgh. The bank has named seven new vice presidents: Stephen R. Bova, John R. Ball, William R. Colvin, Carol L. Peaster, Don E. McAlister, Z. Buford Moore and Larry D. McNabb. Republic of Texas Corp. has elected Richard I. Galland and Albert B. Wharton III to its board. Mr. Galland is chairman/CEO, American Petrofina; Mr. Wharton is co-owner, W. T. Waggoner Estate.

Frost Bank, San Antonio, has promoted Vernon D. Torgerson Jr. to senior vice president/manager, investment department, trust division. He joined the bank in 1970. Also promoted were Tom Frost III to vice presi-



FROST TORGERSON BURGESS

dent/national accounts; Raymond Burgess, James Cotton, Tom Duesing and Brenda Wilson to assistant vice presidents.

Margo Fields and Gary Molberg have been promoted to assistant vice presidents at First National, Amarillo. They joined the bank in 1978 and 1975, respectively.

NorthPark National, Dallas, has promoted four vice presidents to senior vice presidents: James B. McClure, consumer loan division; David A. Newman, administration division; Charles R. Smith, loan administration division, and Dale R. Terry, who also is marketing director.

Building Plans Announced By Frost Bank, San Antonio

Frost National and Cadillac Fairview, real estate developer, have announced construction plans for Two Frost Tower, said to be the largest high-rise office building in San Antonio and the second component of the Frost Financial Center.

Two Frost Tower will contain approximately 600,000 square feet of office space and will include a covered parking garage. Cost of the project is approximately \$70 million. Combined square footage of the new building and existing Frost Bank Tower will be more than one million square feet.

The new building will be located directly north of Frost Bank Tower and will include a plaza. Occupancy is expected in the last quarter of 1983.

Survey Reveals Factors Public Considers Primary When Selecting a Bank

Friendly personnel, capable management and safety/reliability are the three most important factors considered by individuals in selecting a financial institution, according to results of a recent survey on the topic made by A. J. Wood Research Corp.

Respondents to the nationwide survey were asked to indicate any of 29 factors they considered important when choosing an institution for a checking account, a savings account and as a place to borrow. Physical location served primarily as a screening device — if a bank isn't adequately convenient, it will not even be considered.

In selecting an institution in which to open a checking account, availabil-



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ity of free checking was the single most frequently mentioned factor, considered important by five out of six respondents and rated as the single most

important factor by more than one out of four.

In selecting an institution for a savings account, high interest on savings was by far the key factor, considered important by nearly nine out of 10 respondents and cited as most important by approximately half the respondents.

Low interest rates on loans is the most important consideration in deciding where to borrow, with four out of five respondents rating this factor as "important" and more than two out of five considering it the single most important factor.

Survey results were analyzed by a variety of factors, including geographic region, age, marital status, occupation, education, household size, income, checking/savings account balances and others.

Copies of survey results are available at \$100 each from A. J. Wood Research Corp., 1405 Locust Street, Philadelphia, PA 19102.

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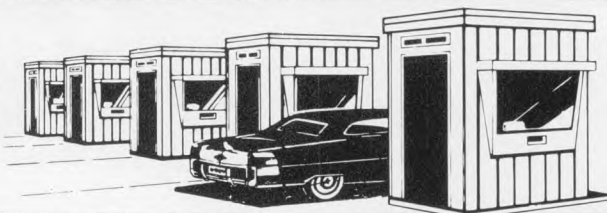
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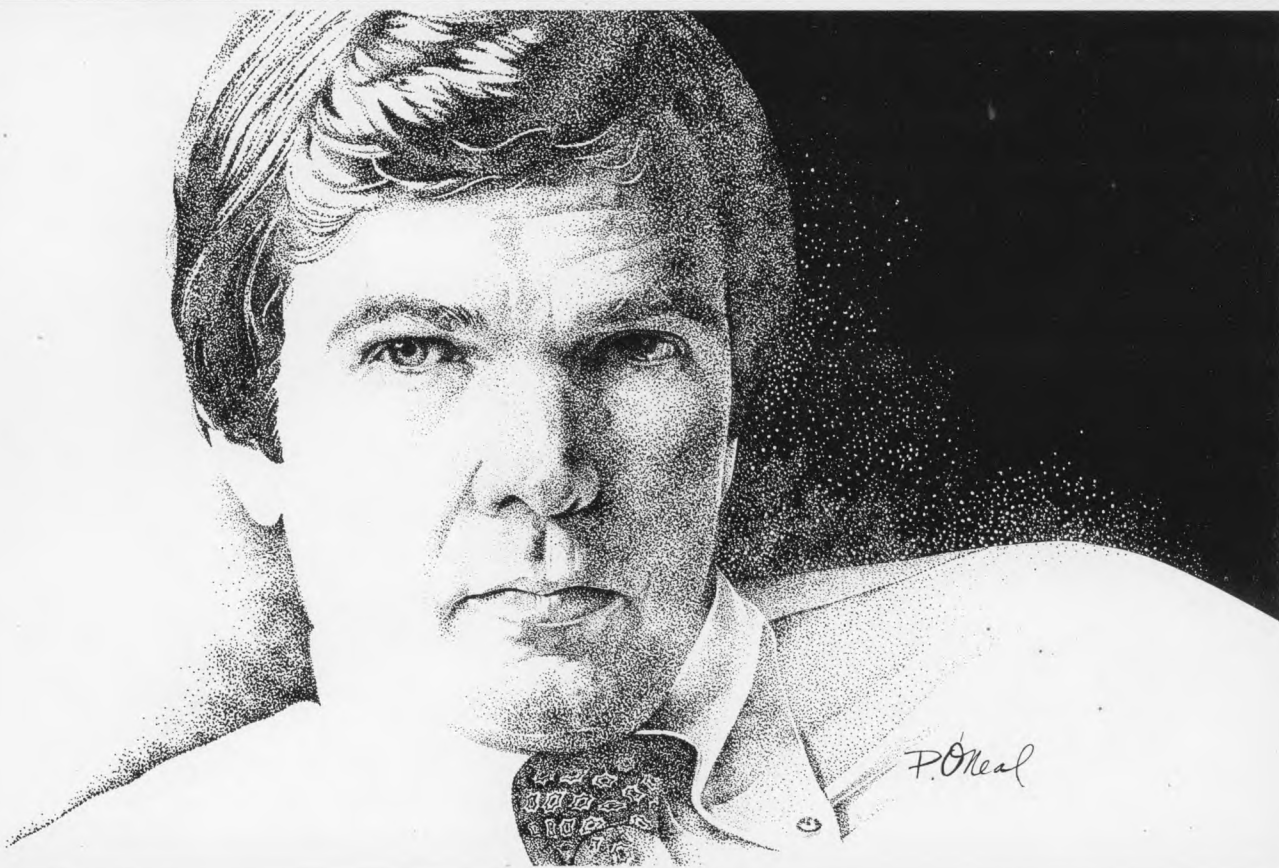
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