MID-CONTINENT BANKER

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The Financial Magazine of the Mississippi Valley & Southwest

OCTOBER, 1981

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New Weapon Against Money-Market Funds

Page 18

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MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

Volume 77, No. 11 **October, 1981**

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Convention Calendar

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. 1-3: Bank Marketing Workshop "The ATM Puzzle — New Opportunities," Orlando, Fla., Hyatt Regency Orlando.

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.

March 10-12: ABA Bank Planning Workshop, Denver, Denver Marriott City Center.

March 14-17: Bank Administration Institute Conference on Bank Security, Kansas City, Crown Center Hotel.

March 14-18: Independent Bankers Association of America Convention, Honolulu, Sheraton Waikiki.

March 21-24: ABA National Installment Credit Conference, Dallas, Loew's Anatole.

March 21-24: ABA Trust operations/Automation Workshop, Atlanta, Hyatt Regency.

March 21-25: Bank Administration Institute Bank Auditors Conference, Hollywood, Fla., Diplomat.

March 28-31: ABA Southern Regional Bank Card Conference, Atlanta, Omni International.

April 2-6: Louisiana Bankers Association Annual Convention, New Orleans, New Orleans Hilton.

April 3-6: Association of Reserve City Bankers Annual Meeting, Phoenix, Arizona Biltmore.

April 13-16: Bank Administration Institute Accounting/Finance Conference, Orlando, Fla., Hyatt Regency Orlando.

April 18-20: Conference of State Bank Supervisors Annual Convention, New Orleans, Fairmont Hotel.

April 18-23: ABA National Commercial Lending Graduate School, Norman, Okla., University of Oklahoma.

May 2-6: Alabama Bankers Association Annual Convention, Lake Buena Vista, Fla., Disney World, Contemporary Hotel.

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The Banking Scene

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

Can Federal Regulators Be Believed?

FDIC CHAIRMAN William M. Isaac recently noted to the Conference of State Bank Supervisors that the problem list of all types of financial institutions was down to 204 banks compared with 217 in December, 1980, and 287 in December, 1979. The number of problem banks peaked at 385 in 1976.

Mr. Isaac further mentioned that the FDIC had handled only three bank failures thus far this year, and they involved total deposits of only $75 million. He is quoted as saying, "Projected over the entire year, this is about the same failure rate as in recent years."

One must wonder, with a high prime rate of most mutual savings banks locked into long-term mortgage rates predominately below 10%, whether the mutual savings industry has any true capital.

With due deference to the FDIC and its delicate position, one should note that more than 300 of the almost 500 mutual savings banks in the U. S. are FDIC-insured. One must wonder, with a high prime rate and most mutual savings banks locked into long-term mortgage rates predominately below 10%, whether the mutual savings industry has any true capital, though it published book-value figures showing capital structure. This practice is based on the accounting convention that mortgages are carried at their acquisition costs, not at current market value, which would be substantially below costs.

Mr. Isaac further stated, "The nation's savings banks lost .17% of average assets last year, and New York City savings banks lost .62% of average assets during 1980." From a legal and conventional bank accounting point of view, those figures probably are accurate, but from a de facto point of view, they are quite misleading. For example, one of the largest savings banks posted a slightly better than break-even performance last year. But this was accomplished only by the one-time sale of equity securities it had acquired at substantially lower prices. In liquidating these securities, the bank was able to take the income into its financial statements.

The accounting convention of banks is predicated on a going-concern value. It further assumes that the organizations will continue to grow. Many mutual savings banks are not growing and, in fact, are experiencing disintermediation — to a large extent to money-market funds. As disintermediation occurs, mutual savings banks, in turn, are forced to sell or borrow on some of their assets. As noted before, there is a tendency to sell those assets in which one already has a built-in profit. This means that the institutions don't have to take bookkeeping losses on their financial statements. It also means the quality of assets is continuing to deteriorate.

In reading the trade press, I notice increasingly that mutual savings banks are merging. The trade press, in turn, generally describes these mergers as designed to achieve a better marketing position, economies of size and other euphemistic goals. One must respect the reasons for the statements issued to the public, but sophisticated analysts are likely to conclude that these are not marriages of strong vigorous institutions, but rather of troubled ones.

In previous years, it was regulators' practice to take a troubled institution and merge it into a stronger one. As one looks at the mutual-savings bank industry, it's difficult to find more than a handful of institutions that could be described as vigorous and healthy.

Incidentally, the fact that the mergers did take place in the past points up one other area where government statistics are suspect. Specifically, if one looks at the description of insured bank failures as illustrated in the annual reports of the FDIC, it should be noted that the failures involve only situations where institutions required disbursements by the agency. They don't include situations where mergers have been engineered by bank regulators. It also should be noted that some of the mergers were precipitated by boards of mutual savings banks, possibly in anticipation of their growing problems. We thus have a semantic problem. Is a merger under such circumstances a failure even if it hasn't involved formal bankruptcy procedures?

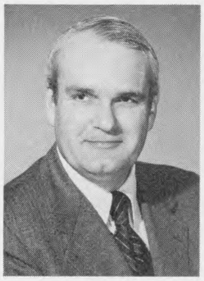
Will failures of an increasing number of financial institutions result from inappropriate federal monetary and fiscal policies rather than from incompetent management of institutions?

To a large extent, the same logic can be attributed to many of the S&Ls in the nation, though probably to a somewhat more modest degree. For years, students of problem banks have noted that the problem-bank list continues to be fluid; that is, most banks don't remain on the list for a long time, but rather they come and go. For example, during 1979, 198 banks were removed from problem status, while 143 others were added to the list. However, the question emerges: Is the present plight of the mutual savings banks one that can be corrected rapidly?

If prevailing interest rates were to drop back to the level of the 1950s or 1960s, the problem would be wiped off

(Continued on page 91)

NEWS OF THE BANKING WORLD



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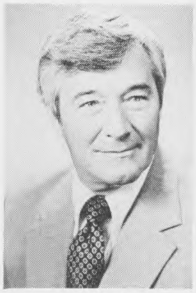

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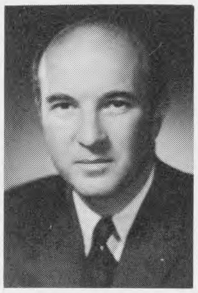

ARMSTRONG

Walter Hoadley retired as chief economist of Bank of America recently. He joined the San Francisco-headquartered bank in 1966 and was named chief economist in 1968. He was a member of the bank's managing committee and directed economics-policy research and related activities. Prior to joining BofA, Mr. Hoadley was chairman, Philadelphia Fed. He currently is an advisor to the U. S. Congressional Budget Office, vice chairman of the Commission on International Monetary Relations of the International Chamber of Commerce in Paris and a member of the executive committee of the International Management and Development Institute in Washington, D. C. He has served on the White House review committee on U. S. balance of payments, presidential task force on United States economic growth, task force for land utilization and urban growth and President Gerald Ford's conference on inflation. In retirement, he serves as a senior research fellow at the Hoover Institution at Stanford University.

Republic New York Corp., HC of Republic National Bank, and Salomon Brothers HC have entered into an agreement with Manufacturers Hanover Trust (HMT) to purchase the present headquarters of MHT at 350 Park Avenue in New York City for $161 million. MHT expects to substantially complete its move to new headquarters at 270 Park Avenue by the end of 1982. Republic National is expected to occupy a portion of the quarters vacated by MHT.

Tony Neel has been promoted to vice president at Worthen Bank, Little Rock. He is responsible for agricultural lending and correspondent relationships in eastern Arkansas, Louisiana and southeast Missouri. Prior to joining Worthen in 1980, Mr. Neel was with First National, Paragould, Ark., and, before that, with Union Planters National, Memphis. He is a graduate of the School of Banking of the South.

Thomas Butts, former first vice president at Third National Corp. and Third National Bank, Nashville, and head of the bank's regional banking group, has been named president of Williamson County Bank, Franklin, Tenn. He succeeds George E. Bivins Jr., who has been named chairman/CEO. Mr. Butts had been in charge of Third National's correspondent bank division since 1972. He joined that bank in 1961. He is a former director of the Independent Bankers Association of America.

W. James Armstrong has been elected president/chief operating officer/director, Northwestern National, Minneapolis, effective September 8. He formerly was executive vice president/chief financial officer, Northern Trust, Chicago, which he joined in 1957. At Northwestern National, he succeeds E. Peter Gillette Jr., who has been named chairman/CEO. Mr. Armstrong headed Northern Trust's banking department from 1974-78. In the latter year, he became senior planning officer and, the following year, was named chief financial officer.

Robert P. Mayo, former president, Chicago Fed, has been named special economic consultant for Fiduciary Management Associates, Chicago-based portfolio management firm. He also serves as director of the firm's businessman's advisory board. Mr. Mayo joined the Treasury Department in 1941 and served as assistant to the Secretary of the Treasury from 1959 to 1960. He was a vice president at Continental Illinois National, Chicago, from 1960 to 1968. He served as director of the U. S. Bureau of the Budget under President Nixon before moving to the Chicago Fed in 1970.

Continental Illinois National, Chicago, has opened a representative office in Atlanta and is expected to open another in White Plains, N. Y., this fall. The bank is increasing the number of its representative offices by 50%. Earlier this year, representative offices were opened in Minneapolis and Southfield, Mich., near Detroit. The bank also has representative offices in Cleveland, Dallas, Denver, Houston, Los Angeles, New York, San Francisco and Seattle.

Jack W. Impey has been promoted to vice president, correspondent banking department, at First National, St. Louis. Mr. Impey joined the bank recently, moving from Financial Insurance Service, Schaumburg, Ill., where he was a senior vice president. Prior service has been with Scarborough & Co., Chicago, and Travelers Insurance Co., Hartford, Conn. For First National, he serves the Illinois region.

Keehn Berry Dies

Keehn W. Berry, chairman, Whitney National, New Orleans, died September 7 at the age of 86.

His banking career began about 1915 at St. Louis Union Trust, which he served until the outbreak of World War I. After the war, he was associated with National City Bank, New York City, and later moved to First National, Birmingham, Ala. He joined Whitney National in 1937 as a vice president and was named president the following year. He had been chairman since 1969.

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Insurance Available for Discrimination Suits

INSURANCE now is available to financial institutions worried about the threat of law suits charging them with discrimination in their lending practices.

A new program, called Consumer Credit Class Action Insurance, will pay up to $1 million in judgments, defense costs and plaintiff's attorney's fees that arise from class-action suits against commercial banks, S&Ls and mutual savings banks.

The program, which was started September 1, was developed by Victor O. Schinnerer & Co., a Washington, D. C.-based insurance firm, and former Federal Reserve attorney Nathaniel Butler, now in private practice in the nation's capital.

It covers suits arising from the Truth-in-Lending (TIL), Fair Credit Billing, Equal Credit Opportunity and Electronic Funds Transfer acts.

The insurance is available now in all states except Alabama, Connecticut and New York. They are excluded, according to a spokesman for the plan, because of an "inordinate number" of class-action suits in those states.

According to Mr. Butler, a consultant to the program, the new insurance was inspired, in part, by the complexity and volume of compliance rules connected with the four consumer-oriented acts. He also points out that the industry "is so dynamic right now; the rules keep shifting."

Small and medium-sized financial institutions are primary customers, he continued, because they generally cannot afford full-time compliance officers. He hopes the program will be serving 4,000 clients by the end of the first year of its operation.

Financial institutions desiring such coverage are asked to contact their insurance brokers and complete one-page applications, which then are submitted to Schinnerer & Co. with a check for the full amount of the premium.

Schinnerer & Co. last month mailed information on the program to 16,000 financial institutions and about 5,500 insurance agents and brokers.

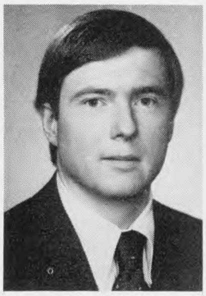
Mr. Butler said that approximately 2,000 suits are brought each year to federal courts under TIL alone, and an unknown additional number of such suits are filed in state courts. • •

Corporate News Roundup

• **BarclaysAmerican/Business Credit.** Philip F. Strauss Jr. has been promoted to regional vice president/manager, Midwest marketing center, of this firm. He is responsible for managing business development activities in Indiana, Kentucky, Missouri and portions of Illinois and Kansas. He joined the firm in 1979 and formerly was a business-development officer.

• **Diebold.** Michael E. George has been named district service manager for northeastern Kansas and northwestern Missouri for Diebold. He joined the firm in 1974 and has been TABS® area specialist since 1975.

• **Associates Commercial Corp.** Burton Lubow heads a list of promotions for this Chicago-headquartered firm. He has been named senior vice president of the business loans division and has moved from the Dallas regional office to corporate headquarters in Chicago. Succeeding Mr. Lubow in Dallas is Tony Dixon, named vice president/manager, Dallas office. Mr. Dixon's region includes Texas, Louisiana, New Mexico, Kansas, Oklahoma and Arkansas. Other promotions include R. C. (Dick) Wilkes, Morris Horstmann and Lawrence E. Fraser to assistant vice presidents in the Southwest region. Mr. Horstmann covers Texas and Louisiana. Richard E. Coffey has been named assistant vice president for new business development for the business loans division in South Bend, Ind.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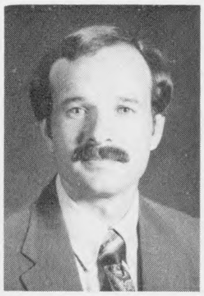
GEORGE


LUBOW


NORRIS

• **Mosler.** John A. Norris has been promoted to bank standard/commercial products manager for Mosler. He is responsible for development and marketing of Mosler's surveillance cameras and alarm systems to financial institutions. He joined the firm in 1980.

• **American Express.** The card and travelers cheque divisions of American Express have been merged into the new consumer financial services group, headed by William M. McCormick. Michael E. Lively, former president, travelers cheque division, has become vice chairman of the new group. The firm's corporate-card unit of the card division will be merged into the travel division and will report to division president Jonathan S. Linen. Alva O. Way and Robert F. Smith have been elected chairman/CEO and vice chairman, respectively, of American Express International Banking Corp. Mr. Way continues as president, American Express Co. James R. Greene continues as president of the banking corporation.

• **Daktronics.** This firm, which manufactures sports scoreboards and electronic signs for the financial industry, has been selected as the supplier of four major scoreboards for the Southeast Asian Games to be held in Manila in December.

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What Will Happen Next in Washington?

THE REAGAN Administration's tax and spending programs, which the ABA enthusiastically endorsed and supported, have been passed into law and begin to go into effect this month, as the 1982 fiscal year begins. Since February, the attention of the Congress and the Administration has been dominated by the passage of these parts of the National Economic Recovery Program.

And now that the legislative battles essentially have been won by the Administration, the big question is: What will happen next in Washington?

For one thing, work will continue on further deregulation of the financial services industry. Congress will have the opportunity to consider legislation overriding state usury laws and reform of the Glass-Steagall Act, as well as other matters of critical concern to the banking community. And the Task Force on Regulation, headed by Vice President George Bush, will continue the work it has begun so well in reducing the burden of regulatory demands on bankers.

But the state of the economy will continue to dominate the news, for that is the central issue of the day. One side effect of the success of the Administration in securing the passage of the budget and tax bills has been to create an unrealistic expectation among many citizens that inflation will be ended promptly and that recovery is imminent. The Administration has correctly discouraged this kind of euphoric thinking, but clearly hopes are higher now than they have been in years that the economy will improve dramatically in the near future.

It is important to realize that the Administration's program is only the means to an end and will not cure the economy by itself. What the budget cuts and the tax bill were meant to do was to give the private sector the tools to improve productivity and bring the economy back to its proper levels of growth. The Administration is firmly committed to the principle that the free market can take care of itself if it is given the opportunity to do so by the correct government policies.

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

So the attention of the country now will be focused on the business sector's response to the changes that have been made in spending and tax policies.

One key to economic recovery is correctly seen to be the prompt and lasting reduction of interest rates to a level that will permit business to expand and stimulate further growth.

If the business recovery is frustrated by continuing high interest rates, it is possible that Congress will attempt to step in and take action to control these rates. Although it is obviously important to bring interest rates down, there is little reason to believe that action by Congress will have that result. (At one point last year, Congress apparently recognized this fact when it voted to terminate the Credit Control Act next summer.)

If the business recovery is frustrated by continuing high interest rates, it is possible that Congress will attempt to step in and take action to control these rates.

However, several political considerations may motivate some members of Congress to tackle the matter of interest rates if the market does not bring rates down. One is simply the honestly held conviction of many members of Congress that it is the proper role of the government to regulate the economy closely. Another is that although elections are still one year away, many officials fear that there is little time left to start a program that will produce dramatic results before election day.

Still another reason for some legislators to want to act on interest rates is that tax policy is set into law for the next three years. Typically, tax laws are debated annually, but the Reagan program has established a policy of tax cuts for the next three years.

Now that Congress has determined a three-year tax policy, it should rely on its other main power, that of determining fiscal policy. If Congress should begin to falter in its resolve to cut spending, it would be tempting for some politicians to hide that fact by taking an active part in the regulation of interest rates.

The continuing reduction of government spending is in fact an essential part of the economic program. The federal budget is still far from balanced, and it is not expected to be in balance until 1984. But continuing high federal expenditures certainly have an adverse effect on the recovery of the economy.

One of the main factors contributing to the market uncertainty that produces high interest rates is heavy borrowing by the federal government, which is actively competing for credit with the very businesses whose recovery is vital to the success of the Administration's program. Another \$20-40 billion must be cut from the federal budget promptly if the current levels of federal borrowing, unprecedented in peacetime, are to be reduced. Because of the recent budget cuts, there will be a tendency in Congress to think that most of the difficult work in fiscal policy changes has already been accomplished and that the energy of the lawmakers could profitably be turned to the direct regulation of interest rates.

Anticipating this possibility, ABA President Lee Gunderson has written to President Reagan expressing his concern that the failure to reduce federal spending might lead to demands for credit controls or other counterproductive measures. Mr. Gunderson also urged the President to continue to cut federal spending, concluding that "such action will hasten the positive market impact of the national economic recovery plan, particularly in terms of bringing down market interest rates."

One of the ironies of politics is that positions are already being taken on the issue of credit control, based on the assumption that the Administration's tax and spending policies have failed to turn the economy around. But the Administration's policies did not even begin to take effect until October 1, and they can be tested only over a protracted period of time.

The ABA supported those policies in the past and will work for their success in the future. • •

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All-Savers Debut Anything but Smooth

A NUMBER of financial institutions learned that launching a new savings instrument can be a traumatic experience, at least when that instrument is called the all-savers certificate (ASC).

While the Depository Institutions Deregulation Committee (DIDC) was formulating ASC regulations, the IRS was calling some financial institutions to task for the innovative marketing techniques they were employing to lock in funds that would be placed in ASC accounts on October 1.

The DIDC, acting in accordance with the Economic Recovery Tax Act of 1981, stipulated that ASCs must:

- Have an annual investment yield equal to 70% of the average investment yield for 52-week T-bills.
- Be offered in denominations of $500, but also can be offered in any other denomination.
- Can be issued only from October 1, 1981, through December 31, 1982.
- Must have a maturity of one year.

ASCs are subject to existing rules for other types of deposits, including rules regarding premiums, early withdrawals and broker's or finder's fees, the DIDC ruled.

Depository institutions must give ASC buyers notice of the tax implications of interest earned. There is a lifetime exclusion from gross income for interest earned on ASCs of $1,000 ($2,000 in the case of a joint return).

The executive officer of each institution offering ASCs must certify that the institution has satisfied the qualified residential and agricultural financing provision required by the tax act; i.e., that at least 75% of the lesser of (1) the proceeds from ASCs issued during a calendar quarter or (2) "qualified net savings," be used to provide "qualified residential financing" by the end of the subsequent calendar quarter if the institution wishes to continue issuing ASCs.

The term "qualified net savings" is the amount by which deposits into passbook savings accounts, six-month money-market CDs, 30-month small-saver CDs, time deposits of less than $100,000 and ASCs exceed the amount withdrawn or redeemed from such accounts measured at the beginning and end of each calendar quarter.

"Qualified residential financing" is any of the following, according to the DIDC:

- Any loan secured by a lien on a single-family or multifamily residence.
- Any secured or unsecured qualified home-improvement loan.
- Any mortgage on a single-family or multifamily residence that is insured or guaranteed by the federal, state or local government or any instrumentality thereof.
- Any loan to acquire a mobile home.
- Any loan for the construction or rehabilitation of a single-family or multifamily residence.
- Any mortgage secured by single-family or multifamily residences purchased on the secondary market, but only to the extent such purchases exceed sales of such assets.
- Any security issued or guaranteed by the Federal National Mortgage Association, the Government National Mortgage Association, or the Federal Home Loan Mortgage Corp., or any security issued by any other person if such security is secured by mortgages, but only to the extent such purchases exceed sales of such assets. (The Federal National Mortgage Association has announced that it will issue a special security that permits financial institutions to reinvest ASC deposits in housing. The security is expected to siphon off funds that had been expected to be pumped into the housing industry.)
- Any loan for agricultural purposes.

The average T-bill investment yield is anounced with the results of every 52-week bill auction. Seventy percent of this figure becomes the offering yield for all ASCs issued starting Monday of the following week. That offering yield remains unchanged until the week after the next auction, four weeks later.

The first yield on ASCs was set at 12.61%.

The DIDC has ruled that withdrawals of earned interest on ASCs are permissible, but anyone who withdraws interest during the deposit term will receive a lower total amount of interest than if periodic interest earned were left on account and withdrawn only at ASC maturity. This is because the effect of compounding doesn't take place on any withdrawn interest amounts.

Early withdrawal of all or part of the ASC principal requires a penalty equal to three months' interest on the amount withdrawn. In addition, the tax act provides that early withdrawal of any portion of the principal eliminates the tax-exempt status of the ASC.

The value of premiums offered to increase the effective yield on ASCSs (including shipping, warehousing, packaging and handling costs for merchandise) can't exceed $10 for deposits of less than $5,000 or $20 for deposits of $5,000 or more.

An institution is required to accept ASC deposits in multiples of $500 but may accept deposits in any other amount, higher or lower than $500, the DIDC stated.

Institutions offering repos at high rates of interest to lock in funds that would become ASC deposits on October 1 had their wrists slapped by the IRS when it implied that such marketing techniques were questionable and could result in customers losing their tax-exempt status on ASC yields because there was a question whether the package arrangement actually was a single transaction that would violate the maturity and interest-rate limitations on the ASC. • •

DIDC Lifts Passbook Rate

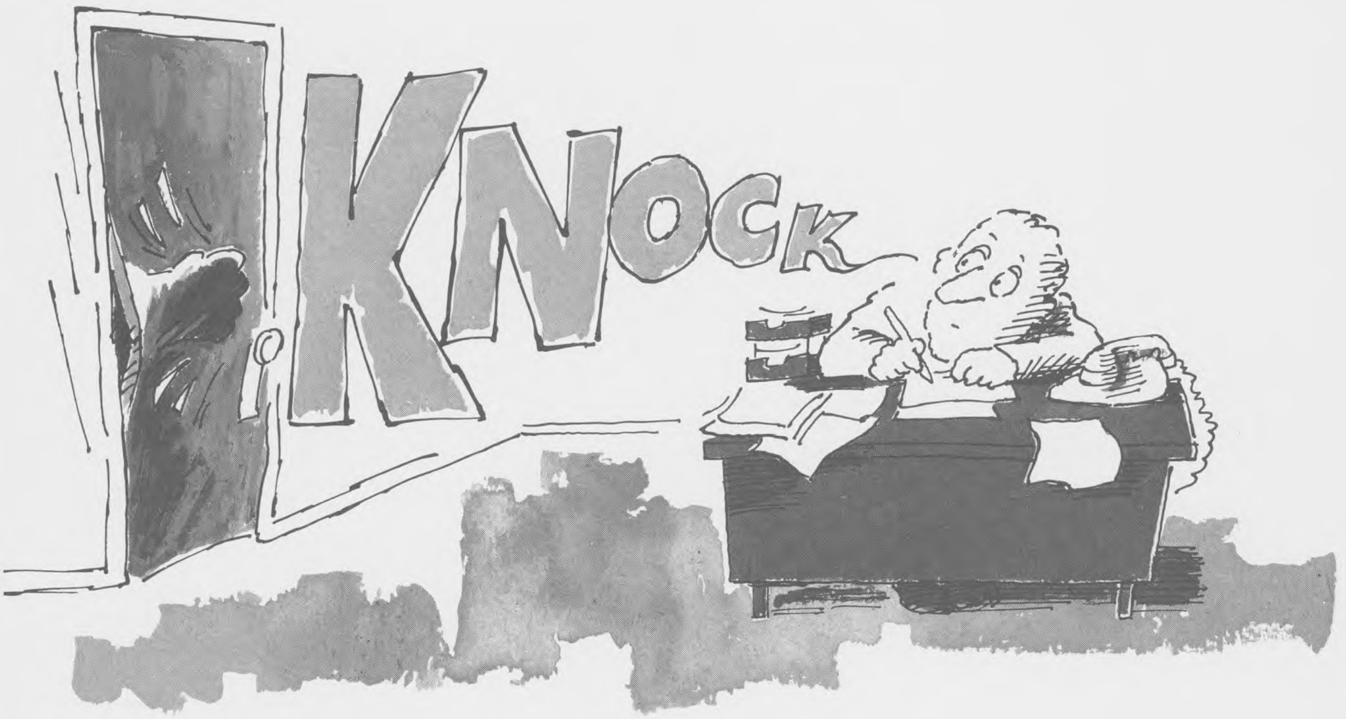
The Depository Institutions Deregulation Committee (DIDC) increased the maximum interest rate on passbook savings accounts by half a percentage point last month. The increase will be effective November 1.

The new maximum rate for banks will be 5.75%. Thrifts will be able to pay 6%.

Favoring the increase were Treasury Secretary Donald Regan, FDIC Chairman William Isaac and National Credit Union Administration Chairman Lawrence Connell. Opposing votes were cast by Fed Chairman Paul Volcker and Federal Home Loan Bank Board Chairman Richard Pratt.

The DIDC also voted to create a new retirement savings account without an interest-rate ceiling, gave banks and thrifts an alternative way to set the interest rate on money-market CDs and began proceedings to create a new 42-month CD that would be free of federal rate ceilings.

When opportunity knocks, Harris wants the opportunity to finance it.



For asset-based financing, Harris Bank might be your biggest asset.

That's right. Harris Bank is definitely interested in lending money for leveraged buyouts. And in lending working capital. And in just about every kind of asset-based financing. In fact, we're more than just interested; we're downright enthusiastic.

But our enthusiasm doesn't stop at lending. We also want to be your bank. We'll offer you a total banking relationship in everything from corporate checking to payroll services to cash projection and capital planning.

So if you or one of your clients needs capital, don't settle on a loan without calling Harris. The number is (312) 461-6580. Because we're not just interested in lending money on your assets, we want to *become* one of your assets.

HARRIS BANK.

HARRIS COMMERCIAL FINANCE DIVISION

Harris Trust and Savings Bank, 111 W. Monroe St., Chicago, Ill. 60603. Member F.D.I.C., Federal Reserve System.

Bank Boosts Loan Dollar Volume 93.5%

EDITOR'S NOTE: Some of the information in this article was obtained from *The ICS Report,* published by Insured Credit Services, Inc., Chicago.

DOLLAR VOLUME of the home improvement/home equity loan portfolio at Sun Bank, Ocala, Fla., was increased 93.5% last April and May!

The bank accomplished this by creating a "Building Bonus Certificate Installment Loan Campaign," which involved 41 home-related dealers. Each dealer agreed to accept $50 or $100 certificates and to underwrite 25% of the cost of each certificate redeemed. The certificates were given customers who qualified for Sun Bank loans for any home-improvement purpose. Those who borrowed $2,500 to $4,999 received $50 bonuses; those who borrowed $5,000 or more were given $100 bonuses.

In return for the dealers' support, the bank used their names in newspaper ads and on stand-up easels displayed in lobbies of Sun Bank offices. The program also was advertised on radio, billboards, backs of bank envelopes and buttons worn by bank employees. The theme for all forms of advertising was, "Nail Down a Home Improvement Loan."

In addition, painters' hats sporting Sun Bank's logo were given new home-improvement-loan customers.

By the way, one building supply firm taking part in the program obtained a supply of the buttons, and they were worn by its employees during the campaign.

According to W. Carswell Ponder, vice president/marketing director, the program was the result of efforts of many bank departments. It resulted originally from a suggestion by Gene Hill, vice president and head of the installment loan department in Ocala, who had read of a similar, but not as comprehensive, program at another bank. The bank's head office in Orlando was contacted, and artwork and ads were created there and checked by the legal department. Then, they were sent to Ocala, where the installment loan people called on the dealers and got the program going.

First of all, says Mr. Ponder, the Ocala bank's top management was solidly behind all these efforts. The campaign also was helped by referrals from other bank departments.

Three or four of the participating dealers asked the bank to set up permanent dealer-contract relationships with them so that they can send their customers to the bank for loan approval. Also, according to Mr. Ponder, just about all the 41 dealers were pleased with results of the program and want to take part in the next one. Mr. Ponder says the bank hopes to run another campaign next spring, and one or two other Sun banks will have similar programs.

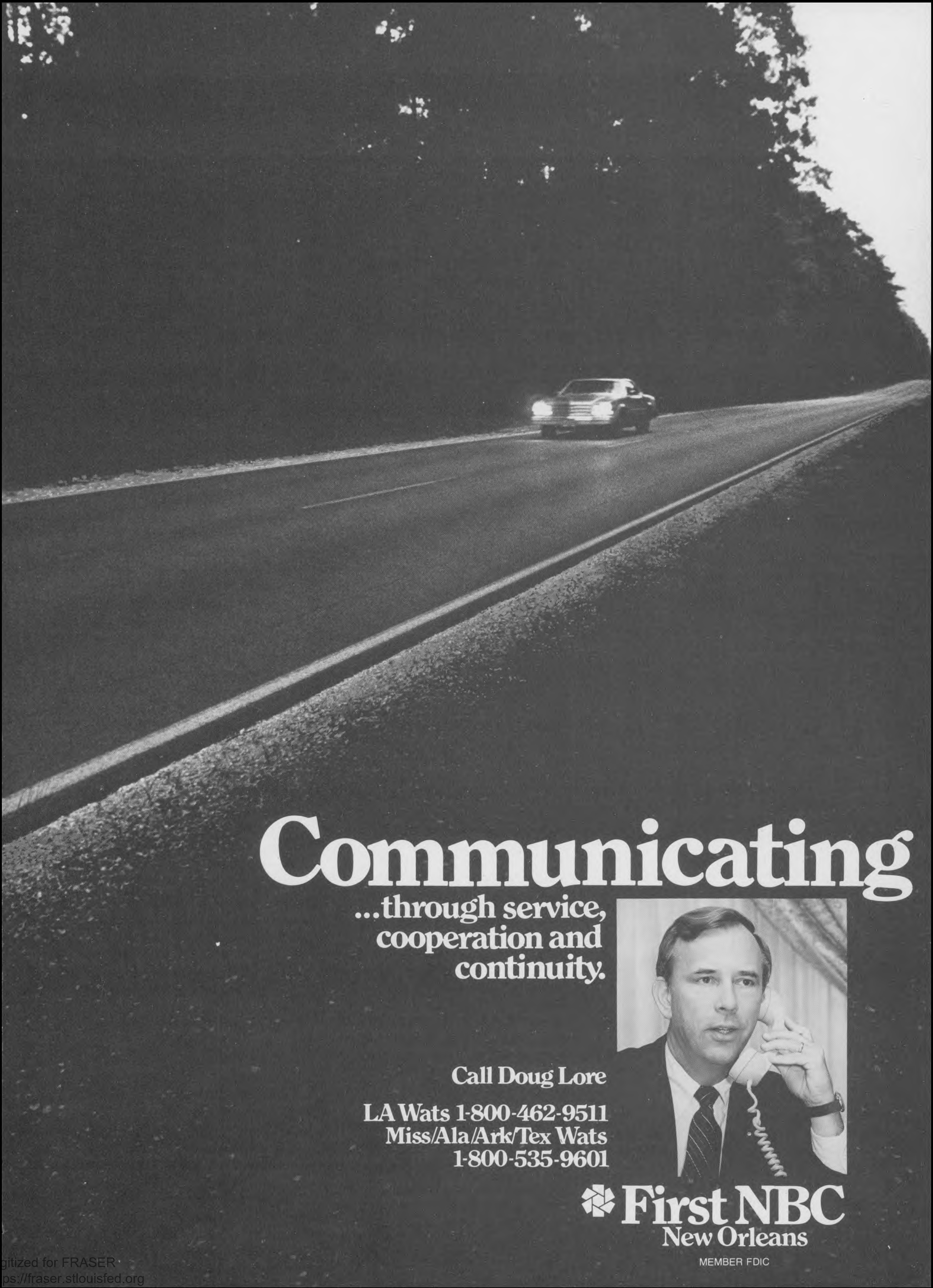
This ad was used in newspapers to publicize Sun Bank of Ocala's home-improvement-loan program. Names of dealers participating were listed in ad.

Although cross-selling was not a big part of the program, says Mr. Ponder, the bank did pay $5 to any teller or new-accounts person who sent customers to the installment loan department and whose loan applications were approved. About a dozen $5 bills were distributed.

In addition to developing home improvement loans, Sun Bank encouraged loan officers to explain the possibilities of home equity loans and to cross-sell other bank services. • •

Installment-Loan-Campaign Results At Sun Bank, Ocala, Fla.

	No. of Loans % Increase	Dollar Volume % Increase
April		
Home Improvement Loans	69%	42%
Home Equity Loans	150%	226%
Total	80%	74%
May		
Home Improvement Loans	55%	92%
Home Equity Loans	45%	138%
Total	52%	116%
April/May		
Total	66%	93.5%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...through service, cooperation and continuity.
Call Doug Lore
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Miss/Ala/Ark/Tex Wats
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MEMBER FDIC

New Weapon for Banks Against Money Funds Unveiled by MasterCard

A NEW PROGRAM announced last month by MasterCard International and Fidelity Management Group will — according to its sponsors — enable banks, for the first time, to compete with the high-return cash-management offerings of brokerage and investment firms. Called MasterCard Money Manager account, the program combines banking, brokerage, mutual-fund and bank-card services into one package.

MasterCard International, New York City, is worldwide licensor of the MasterCard family of financial services. Fidelity Management Group is a Boston-based investment-management and discount-brokerage complex.

The account is designed to provide a broad range of financial options, including a money-market-fund account, brokerage account, checking account with a pre-authorized line of credit, MasterCard bank-card services and possibly other services such as all-savers certificates, retail-repurchase agreements, CDs or an account in a tax-free fund — all integrated into one master account with a single statement.

"Now banks can effectively meet competition from nonbanking institutions," says Russell E. Hogg, president/CEO, MasterCard International. "No longer will banking customers need to leave their banks for high-yield flexible investments. Those investments now will be available through their local banks."

According to Edward C. Johnson III, chairman, Fidelity Management Group, "For the American consumer, this is the most advantageous and sophisticated financial package ever assembled. This program will be open to millions of people who never have had access to such universal investment services. Customers will have all kinds of options: They will be able to transfer assets among checking, money-market-fund and brokerage accounts automatically or with a single telephone call. And the program itself is flexible. New features will be added as they are developed cooperatively by the banks, by MasterCard and by Fidelity."

A participating bank will sweep the account-holder's checking account automatically and transfer excess cash through INET (MasterCard's daily bank-settlement system) to Fidelity for investment in one of the eligible funds designated by the customer. Sweep levels will be set at each bank's discretion. Because of MasterCard's existing communications and processing systems, the groundwork already is established. Further technical support from MasterCard and Fidelity will be provided to participating banks in development and linkage of their systems.

"One of MasterCard's objectives in this plan," says Mr. Johnson, "is to limit portfolio investments to securities issued by participating MasterCard member banks. We have researched all the alternatives, and, under current market and regulatory conditions, it simply can't be done on a dollar-for-dollar basis, but we will continue to move in this direction to the maximum degree feasible."

Fidelity Management & Research Co. will manage the mutual funds, and

EFT System Is Introduced For Mutual-Fund Accounts

A NATIONWIDE electronic funds transfer system that will enable shareholders to move money electronically between their banks and their mutual-fund accounts has been introduced by the Fidelity Group of Mutual Funds, based in Boston. The system is called Fidelity Money Line.

"Fidelity Money Line," says John F. O'Brien, president, Fidelity Distributors Corp., "will be a great convenience for people who maintain active investment programs. Instead of having to go to banks to wire money, shareholders now can make all their transactions from home. No matter where they are, as long as they're near a telephone, they have immediate access to their accounts."

Mr. O'Brien emphasizes that Fidelity Money Line "offers greater flexibility to all shareholders. When transfers are made by Federal Reserve wire, the wire must be processed by a commercial bank that is a member of the Federal Reserve System. With Money Line, investors can transfer money into or out of any financial institution — a commercial bank, savings bank or credit union — as long as it is a member of a regional automated clearinghouse. They (shareholders) also can make investments and withdrawals in smaller amounts than are allowed with wires. And unlike a bank wire, the Money Line is completely free of charge to the investor."

Fidelity Money Line has been available to a limited number of Fidelity shareholders in New England since March. The system now is being offered nationwide to two of Fidelity's money-market funds, Fidelity Cash Reserves and Fidelity Daily Income Trust, which together have over 380,000 shareholders. Fidelity expects to extend the service to additional funds in the near future.

The Fidelity Group consists of 25 mutual funds, with 750,000 investor accounts and combined assets of about $12 billion.

Fidelity Brokerage Services, Inc., will provide discount-brokerage services. The former is investment adviser to the Fidelity Group of Mutual Funds, serving more than 750,000 shareholder accounts with assets of approximately $12 billion. The latter is the nation's third-largest discount-brokerage firm.

Investors will need only one checkbook (and one statement) for their bank and money-market-fund accounts, which can be accessed by a check or the new MasterCard II debit card. A pre-authorized credit line also can be accessed by check or by the MasterCard charge card.

The new program was approved by MasterCard's board August 27 and announced September 1. Certain aspects of the plan must be cleared by the Securities and Exchange Commission, and the sponsors expected to make the necessary filings within a few weeks after announcing the program.

MasterCard International is an association of member financial institutions, with nearly 200,000 banking offices around the world. Its family of financial products is recognized and accepted by more than 3½ million merchant outlets worldwide. These products include the MasterCard charge card, MasterCard II debit card, MasterCard travelers checks and the new gold MasterCard for preferred banking customers.

Mr. Hogg explains the importance of this program to MasterCard's member financial institutions this way: "Recently banks have suffered from disintermediation of funds and disenfranchisement of their customers. This program helps recapture the funds via new-account relationships and increased balances from existing accounts. Just as important, the MasterCard Money Manager account should re-establish banks as pivotal suppliers of financial services. Participating banks will be in the forefront of this service, not simply be backroom processors as in most of the current broker-sponsored programs. • •

Bank Uses a 'Lot of Bull' To Sell Money-Market CDs

WHEN Huntington National, a statewide bank headquartered in Columbus, O., found that its money-market CDs would have yielded higher returns than Merrill Lynch's money-market funds in seven out of 11 months in 1981, it wanted, of course, to tell the world about it. But how?

With input from the bank's ad agency, Kircher, Helton & Collett, Inc., of Dayton and Columbus, the idea was conceived that competitive advertising aimed directly at the well-known Merrill Lynch bull was the answer. So the bank decided to get its own bull.

However, the local terrain (to say nothing of a dearth of trained bulls) led Larry J. Sullivan, Huntington National vice president/director of advertising and sales promotion, to seek a better site. The right mountainous terrain complete with flowing stream was found at Newhall Ranch north of Los Angeles. Hollywood animal broker Frank Inn produced the bull (named Jim), and Spungbuggy Works, Inc., of Hollywood produced the spot.

The scenario called for a simulation of Merrill Lynch's "stampede," with Jim to lumber across the stream and, through the magic of film editing, appear to be caught in an "avalanche" of harmless foam rubber rocks covered with synthetic earth. Large clouds of dust would swirl about the bull, and finally he would drop to his knees on command from his trainer.

This was a simple plot, but did not allow for Jim's appetite for shrubbery. Right on cue, the 1,800-pound bull charged across the stream toward a reward on the other side, only to stop abruptly to consume the bushes strategically placed for realism. He did this not once, but eight times!

Why didn't those in charge simply procure a new bull? A hero of such imposing dimensions is not easily replaced or readily reprimanded. So filming continued for 12 hours until Jim was coaxed, wheedled and bribed to believe that a bowl of oats across the stream would, after all, make a tasty dessert.

Three thousand feet of film were shot, with 42 feet used for the 30-second spot, which was aired first last June 15 throughout Ohio. It was backed by coordinated print advertising in business papers in the bank's market areas, in the Midwest editions of the *Wall Street Journal* and regional editions of *Time*, *Newsweek*, *U. S. News & World Report*, *Sports Illustrated*, *Money*, *Business Week*, *Dun's Review* and *Nation's Business*. The campaign continued through August.

Donald E. Walters, Huntington vice president/marketing director, points out that its money-market-CD program is not a viable product for everyone since it requires an investment of $25,000 or more.

As for Merrill Lynch, Mr. Walters says, "We're not claiming that our new service will bring Merrill Lynch to its knees, but we do offer a unique and comprehensive service for our customers interested in the high return, liquidity and safety of their investments. We call it a better breed of investment."

The impact of the campaign is borne out by the fact that the bank daily receives inquiries from all over the state, and one bank associate spends much of her day sending out information. Another indicator was a call from Merrill Lynch's New York City office asking for clarification of the concept. Then there was a note from a leading New York City brokerage firm requesting a four-color picture of the bull on its knees for display in its office.

By the way, Jim the bull was completely unscathed by his TV experience. • •

Current-Rate Info

BIRMINGHAM, ALA. — Birmingham Trust National is offering a new customer service, RateLine, which provides 24-hour access to current rates on money-market and large-denomination CDs.

By dialing a certain number, the caller hears a recorded message that states the rates and effective dates for these savings plans. New rates are posted immediately as they are released by the Fed so that the information always is up to date.

Information available on RateLine will be expanded to include new savings instruments as they are approved by regulatory agencies. For instance, on October 1, the rate and effective dates were made available for the new all-saver certificates.

Birmingham Trust believes RateLine provides a convenient method for the interested consumer to stay abreast of changes in the money market and that this information is especially critical during times of volatile rates.

Checking Accounts Linked to MMFs Through New Dreyfus Program

A PROGRAM that links checking accounts with high yields of money-market funds (MMFs) was launched last month by the Dreyfus Corp., headquartered in New York City. The program is being offered nationwide to both individual and corporate depositors through banks and thrift institutions.

Called the Dreyfus Overflow, the program already has been started in 25 offices in 11 Florida counties by Freedom Savings & Loan Association, based in Tampa. In addition, a multicity pilot program, using Bank of New York NOW checking, started last month.

Under the Overflow plan for individuals, all deposits in a NOW checking account that exceed a minimum balance of $2,500 are transferred automatically on a daily basis into one of two Dreyfus MMFs — Dreyfus Liquid Assets or Dreyfus Government Series. Both funds have been yielding today's high money-market rates, says a spokesperson for Dreyfus. Money in NOW checking accounts continues to receive the maximum 5¼% interest permitted by law.

At Freedom S&L, the new account for the consumer requires at least $3,500 to open. All deposits in the Freedom Money-Market Checking Account are eligible for insurance by the Federal Savings & Loan Insurance Corp. Whenever deposits in the account drop below the $2,500 level as a result of personal checks drawn against the account, a transfer is made that day from the Dreyfus money-market fund back to the Freedom checking account to return the balance to the $2,500 minimum required for Money-Market-Checking-Account participation.

Freedom's Money-Market Checking is available to individuals, proprietorships and nonprofit organizations, using the 5¼% FreedomNOW account.

Dreyfus says a business depositor may choose one of two options to obtain the high money-market yields. At Freedom S&L, which calls its business program Money Management Checking, Plan A requires a $9,000 opening balance and an $8,000 minimum balance and carries a $100 monthly service charge. Plan B requires a $21,000 opening balance and a $20,000 minimum balance and has no service charge.

Under either option, deposits that exceed minimum balance requirements are transferred automatically each day into the Dreyfus fund selected by the customer.

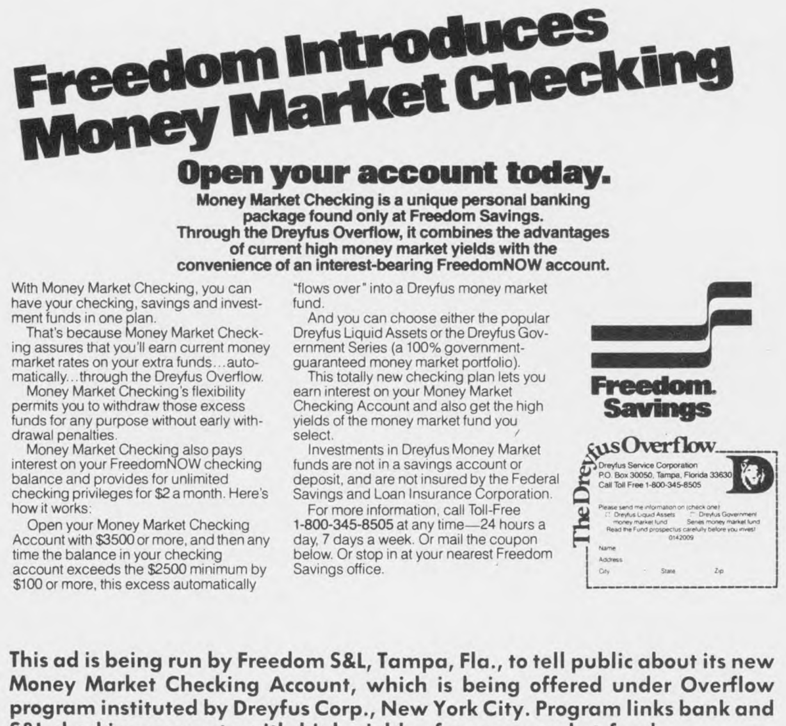
Each month, Freedom S&L issues statements to Overflow participants itemizing all checks drawn, all deposits made, funds transferred, income earned and current account balance.

Freedom S&L's Overflow package also includes a Visa credit or debit card, an American Express gold card and an overdraft line on the NOW account. In addition, participants have access to their MMF balances through the S&L's automated teller machines.

"The Overflow program now offers checking-account users a simple, automatic method of cash management and access to high-interest yields," says Howard Stein, chairman of Dreyfus. "By combining bank checking, savings and money-market-fund investment capabilities, the Overflow program provides a totally new level of cash-management service."

Dreyfus Liquid Assets, says a spokesperson, invests in a wide range of high-quality, short-term money-market instruments, including U. S. government securities, bank CDs, bankers' acceptances and commercial paper. The Dreyfus Government Series invests only in short-term U. S. government securities and provides a 100% U. S. government-guaranteed money-market portfolio.

"We believe," says the S&L's president/CEO, Fred F. Church Jr., "that these new accounts face up to realities of today's marketplace. They are a program whose time has come — both for our customers, corporate and retail, and for the association." ● ●



This ad is being run by Freedom S&L, Tampa, Fla., to tell public about its new Money Market Checking Account, which is being offered under Overflow program instituted by Dreyfus Corp., New York City. Program links bank and S&L checking accounts with high yields of money-market funds.

What we sell, everybody's selling! What makes Westcap any better?

The Westcap Corporation is a major regional distributor of certain types of fixed-income securities to primarily small and medium sized financial institutions—nationwide.

And so are a lot of other companies.

What makes Westcap a better option in this kind of market?

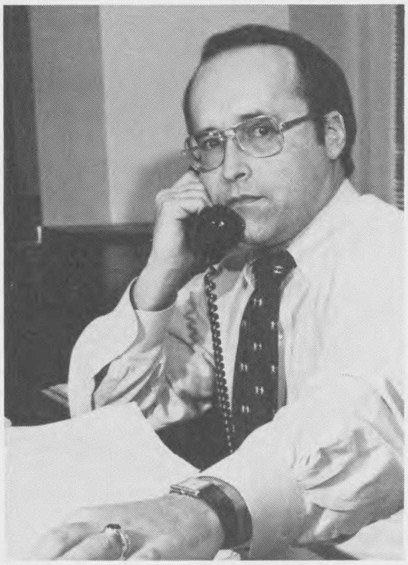
In one overused word—service.

In another oversimplified phrase: We are able to give our customers the kind of attention they deserve, and quite frankly in the computerized business world, the kind of attention they crave and appreciate.

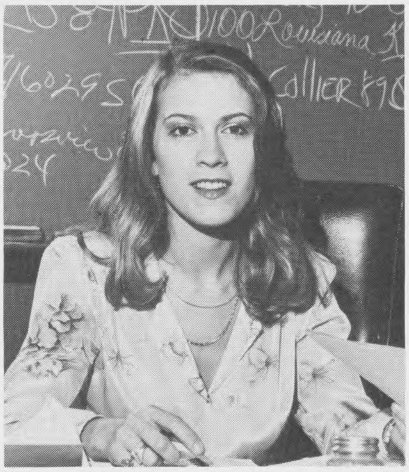
There are simple reasons for our claims.

Under one roof

Primarily it's because we are a "one roof" operation. Sales persons,



What is the Westcap advantage? Jim Ogg, First Vice President, Sales points out that "our trading desk is on the sales floor. So when we ask a trader for a bid, we often get it—now while the customer is still on the phone. In today's volatile market that kind of service means more than convenience—it could mean money. Time is money where a customer is concerned, whether he's buying or selling. We're very much aware of that, here at Westcap."



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'."

traders, operations and management enjoy a physical proximity at our Houston offices.

That means immediate execution over the phone—buying, selling or trading.

It also means everyone's available at the other end of your phone—at one number.

And, the person you talk to on Monday will be there Thursday when you call again.

It eliminates the problem of calling New York for one service, Chicago for another and never reaching the same person twice. Even when in the same city, some firms are so fragmented, you can become discouraged by being switched from department to department.

Not so at Westcap!

Our sales people sit in the same room with our traders. They personally know one another. When you call Westcap you can reach your contact. He or she will know your name; you'll know his or hers. It's a nice kind of attention we both benefit from.

Size

Now let's talk about size.

We are not the smallest firm of our kind by any means. We don't rank among the giants either.

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.

Because we're not a Goliath, we strive for a better and closer customer relationship. That means putting our personalities up front in an honest effort to serve our smallest customers as we would our largest.

Anybody can sell securities! We do it just a little closer to our customers. *They appreciate the difference.*

Mobley E. Cox, Jr., Executive Vice President. . . . . "The chore of management is made easier when your resources are close at hand. Our resources are our people. And they're right here, sharing a rooftop, trading, buying and selling together. We are close-at-hand people at Westcap. That's one of the reasons management, like everyone else, is available to you with a phone call."

The Westcap Corporation

1300 Main Street / Houston, Texas 77002 / 713:651-1111

New Money Fund on Horizon: This One's From Sears, Roebuck

IN A MOVE toward becoming "a leading provider of consumer financial services," Sears, Roebuck & Co., Chicago, last month announced plans to start a money-market trust investing in U. S. government securities later this year. According to Edward R. Telling, chairman/president/CEO, in a *Fortune* magazine interview, the new instrument will be called the Sears U. S. Government Money-Market Trust.

"We also are planning a major position in residential real estate brokerage and other services that are important to the sale of a home, including home-owners' insurance, mortgage origination, mortgage insurance, etc.," he continued. "Our goal is to become the largest consumer-oriented financial-service entity.

"With the new tax law, working Americans are going to be in a position to save and in a mood to save. We are well positioned to be a part of that."

Sears is preparing to file a registration statement with the Securities and Exchange Commission regarding the proposed public offering of the money-market trust, which, said Mr. Telling, will not be connected with the U. S. government.

The minimum initial investment by individuals is expected to be $1,000, with additional investments in amounts of $100 or more. There is to be no sales charge. Plans call for deposits to be made initially by mail or wire and ultimately at Sears retail stores.

The first money-market fund will invest only in U. S. government securities, according to Mr. Telling, and its growth will determine how quickly the activity will be expanded. Plans call for investment in U. S. Treasury bills, notes and other obligations maturing in one year or less. Many are sold in large denominations and at a higher yield than U. S. securities available to small individual investors, he added.

Noting that Sears is diversified in retail, insurance, real estate and financial-services businesses, Mr. Telling said its recent restructuring freed the corporate organization to concentrate on strategic issues, including diversification.

"We already hold a considerable stake in consumer financial services," said Mr. Telling. "We have Allstate, which has about 10% of the auto and home-owners' markets, and it's also rapidly gaining in the life insurance field. We have 40 million credit accounts, of which close to 25 million are active at any one time. With the active credit accounts, we have about $8 billion outstanding in receivables. We sell H & R Block services through our stores. We own a $3-billion S&L in California and recently formed the Seraco group (real estate and financial services).

"The merchandise group now stands on its own," he pointed out, "as do the Allstate group (insurance) and Seraco group (real estate and financial services). We are just extending that philosophy.

"We now are in a position that we can operate different businesses, and we see an active and strong position for Sears, Roebuck & Co. in the financial world that's developing."

The company, he continued, has been studying financial services "for a long, long time, and it has become obvious that the financial world has changed for all time." ● ●

S&L Investment Services?

Two federal S&Ls have asked the Federal Home Loan Bank Board for permission to offer investment services to thrift customers. They are Coast Federal S&L, Sarasota, Fla., and Perpetual American Federal S&L, Washington, D. C.

Both S&Ls want to form the Savings Association Financial Corp., which, in turn, would form a wholly owned service subsidiary, Savings Association Investment Securities. The subsidiary would handle brokerage activities of the service corporation for participating S&Ls and be able to provide credit for securities purchases.

Savings Association Investment Securities would be fully registered with the Securities and Exchange Commission, the National Association of Securities Dealers and state securities commissioners.

In applying for this new service, the two S&Ls pointed to the money-market-mutual-fund industry (which reached $150 billion early in September). The only way to answer this challenge is head-on, say the S&Ls.

'Aggressive Competitor' Against MMFs Offered By Trust Company

OKLAHOMA CITY — First Oklahoma Trust Co. has come up with what it believes is an aggressive competitor to money-market funds, according to Josh C. Cox Jr., president. It's an investment program called RediCash Trust Account, which offers a rate equivalent to the 13-week U. S. Treasury bill rate.

RediCash offers immediate investment credit and a wire-transfer service to any bank, without time restrictions. Only Oklahoma residents qualify for the RediCash Trust Account.

"The program's many beneficial characteristics are highlighted with the assurance that entrusted funds are invested in this market area," says Mr. Cox.

First Oklahoma Trust, whose parent HC is First Oklahoma Bancorp., headquartered here, offers personal and corporate savings programs and various types of savings instruments ranging from passbook to money-market trust certificates.

MasterCard, Visa Cards Offered at Phone Stores Under Bank Agreement

ST. LOUIS — MasterCard and Visa now are accepted in 154 Southwestern Bell PhoneCenter stores as a result of an agreement between the phone company and Mercantile Trust.

Participating PhoneCenter stores are located in suburban shopping centers and downtown business districts of major cities served by Southwestern Bell in Missouri, Kansas, Oklahoma, Arkansas and Texas. They were introduced in 1976 to provide customers more convenient access than formerly to the phone company's products and services. Among services offered are telephone sales, repair, communications consultation and phone accessories.

Under the new arrangement, Mercantile is the merchant bank for the bank cards. According to C. Philip Johnston, Mercantile vice president, Bell's acceptance of MasterCard and Visa will be of great assistance to the hundreds of thousands of persons in the Southwestern Bell territory who use bank cards as their primary source of retail credit.

When you want faster availability on cash letters, think Bank of America.

When Bank of America processes your cash letters the emphasis is on speed, accuracy and minimizing float. With operations centers in both Los Angeles and San Francisco—plus a new transportation system—we've made the commitment to collect your dollars fast.

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

Of course, we handle your "mixed-sort" items, too. Let us send you our new availability schedule.

Need balance information? Our BAMTRAC II system lets you decide exactly what you want and in what format—hard copy or audio response. Our detailed reporting includes all debit and credit items posted to your account during the past 5 days. You'll even get free money market representative quotes twice daily.

When it comes to managing your cash, think Bank of America. We think you'll be glad you did. In San Francisco, call (415) 622-6909. In Los Angeles, call (213) 683-3288.

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All-Savers Premium Ruling Creates Pandemonium

By Rosemary McKelvey, Editor

ANGER AND CONFUSION! These terms best describe one of the sessions of the Bank Marketing Association's 66th annual convention last month in Washington, D. C.

The question-and-answer session, a special luncheon arranged just before BMA members descended on the nation's capital, featured six representatives of the Depository Institutions Deregulation Committee (DIDC). The topic, which turned out to be a hot potato for the DIDC speakers, was the all-savers certificate, specifically premiums that could be offered in conjunction with it.

On the day of the luncheon, the DIDC had announced that regulations did not allow financial institutions to offer premiums when existing accounts were converted automatically into all-savers certificates. This did not set well with the 1,900 convention delegates, many of whom already had their advertising campaigns for the all-savers lined up and ready to go, and these programs were featuring premiums.

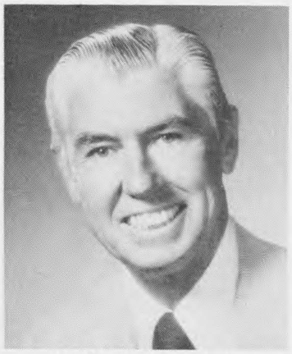
The heated questions and comments made at the luncheon were followed by a letter from incoming BMA President Leonard W. Huck to Gordon Eastburn, acting executive secretary of DIDC. Mr. Huck, executive vice president, Valley National of Arizona, Phoenix, asked for immediate clarification of the new ruling, pointing out that the situation had to be resolved before October 1, when the all-savers certificate became available.

On September 17, the day after the BMA convention ended, the DIDC announced that depository institutions would be allowed to give premiums to customers rolling over existing deposits into all-savers certificates. Such premiums would be allowed for a period of not longer than six months after the official ruling came down. The DIDC added that it was going to issue a 10-page statement clarifying its opinions on several questions about all-savers regulations. It was to include a provision permitting *one* premium for each all-savers account converted from an existing account.

The premium ruling was confusing to others besides BMA members, as was shown in remarks made by convention speaker, Senator Jake Garn (R., Utah), chairman, Senate Banking Committee. Senator Garn minced no words when referring to the ruling.

"The business you got into yesterday (at the DIDC luncheon)," said the senator, "I don't even understand.

"Whatever you think of the all-savers, the intent of Congress was to stimulate saving. It is obvious to any



LEONARD W. HUCK

RICHARD M. ROSENBERG

BARRY I. DEUTSCH

JAMES W. WENTLING

New BMA Officers

President: Leonard W. Huck, executive vice president, Valley National of Arizona, Phoenix.

First Vice President: Richard M. Rosenberg, vice chairman, Wells Fargo Bank, San Francisco.

Second Vice President: Barry I. Deutsch, vice president, Mellon Bank, Pittsburgh.

Treasurer: James W. Wentling, corporate vice president/marketing, Flagship Banks, Miami.

This sextet occupied "hot seat" during BMA convention. It was made up of representatives of Depository Institutions Deregulation Committee (DIDC). In question-and-answer session September 15, they tried to justify DIDC's announcement that morning that its regulations don't permit offering premiums when existing accounts are converted automatically into all-savers certificates.

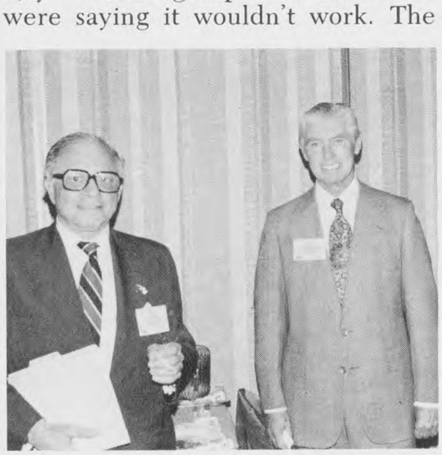
non-attorney that for a new account, you can get a premium. You can get the money for the account out of your savings account, your back pocket, the glove compartment of your car. That's all okay. But a little automatic conversion, and suddenly it's not okay.

"Am I the one who is simplistic or are these damned attorneys creating issues that don't exist?" Of course, this question brought applause and cheers from the frustrated bankers.

Senator Garn had no kind words for another facet of the all-savers — the IRS' ruling to prohibit mandatory rollover of interim repos into these certificates.

"Some damn fool at the IRS who doesn't have anything else to do all day sits there and thinks how can I get my name in the paper and comes up with this thing."

The senator also addressed less volatile subjects, such as the President's economic-recovery program. He pointed out that the program wasn't even scheduled to start until October 1, yet various groups and individuals were saying it wouldn't work. The senator pointed out that it had taken 40 years to build up the nation's $985-billion debt. Thus, it's ridiculous to say that the President hadn't solved the economic problem in just eight months.



Leo Cherne (l.), exec. dir., Research Institute of America, New York City, and convention speaker, is pictured with Leonard W. Huck, newly elected BMA pres. and e.v.p., Valley Nat'l of Arizona, Phoenix.

Senator Garn also showed his sympathy for bankers by referring to their non-regulated competitors, such as Merrill Lynch, who protest they're not in banking. However, they are, he continued. They don't want regulated financial institutions freed to compete with them. The senator said the Glass-Steagall and McFadden acts must be looked at again, and he announced that within a couple of weeks, he was going to introduce a bill just to get dialogue started. There will be hearings on the bill this fall, and he guaranteed depositary institutions will be freed to compete with these other groups.

However, he warned that the banks and thrifts must come together and end their inside warfare. He said he doesn't want each segment of the industry to give up defending itself, but everyone should try to compromise on one position that "we can pass."

Although he has long been a foe of interstate banking, the senator said, "We must live in a real world. What is happening is that interstate banking already is occurring." Again, he referred to activities being carried out by firms such as Merrill Lynch.

Tomorrow's Banking Markets. Using this as his theme, Nat S. Rogers, chairman, First City National, Houston, and a former ABA president, described the current climate for banks. He pointed to out-of-state and foreign banks moving in; thrift institutions offering checking accounts, credit cards, installment loans and branching where many banks cannot; finance companies getting ATMs; credit unions paying higher rates than banks can and locating conveniently near workers; Merrill Lynch's cash-management account; the money-market-fund explosion (it had reached $150 billion at the time of the BMA convention); insurance companies getting into IRA and Keogh accounts; the new American Express/Shearson combine, as well as the Bache/Prudential.

"And our customers," he said, "are turning to collectibles — antique cars, porcelains. You name it."

Mr. Rogers foresees geographic boundaries falling within the banking industry, with both domestic and foreign banks expanding across state lines. He pointed out there are only 500 Fortune 500 companies to go around, and so the next foray for these banks will be the launching of aggressive programs to reach quality middle-market companies. He believes these firms will be offered advantages that historically have been reserved for their much larger brethren.

In turn, he continued, this will lead regional banks to be defensive in their markets and to seek more protected areas. They will gravitate down to the lower middle-market companies, and some of the money-center banks will be quite active in this market, too.

Finally, he said, a few major banks and many new nonbank competitors are invading community banks' retail markets. The most extensive competition, he forecast, will be highly automated and intensely price competitive.

"All this suggests," said Mr. Rogers, "that margins will be narrowed because of increased competition. The two benchmarks of success will be delivering quality services economically and putting an emphasis on fee income. Intelligent costing and pricing are going to be much more necessary than in the past.

"These trends will take their toll,

Nat S. Rogers (r.), ch., First City Nat'l, Houston, and former ABA pres., talks with BMA's incoming treas., James J. Wentling, corporate v.p./mkt., Flagship Banks, Miami, before delivering speech at convention.

This BMA convention panel was made up of (l. to r.): Dhan G. Mukerji, pres., MacDonald Motivational Research Center, Inc., Dayton, O.; T. Joseph Semrod, pres./CEO, United Jersey Banks, Princeton, N. J., and former pres., Liberty Nat'l Corp., Oklahoma City, and Norman F. de la Chapelle, director/new business development, NCR Corp., Dayton, O.

and not every bank will be successful. Advantages of increased size will be more pronounced. It will lead to more mergers — and larger units. No doubt, we're some years away from national banking organizations, entirely free of geographic constraints. But we will, nevertheless, see a significant erosion of the traditional geographic boundaries *and* substantially larger organizations pursuing these expanded markets.

"Marketers will view the business in segments, and banks will seek market niches."

Banks today, he said, are looking closely at available markets and are asking questions. First, where can they be viable and effective? And second, where can reasonable profits and margins be earned? In other words, they're segmenting their markets, looking for their niches.

With few exceptions, according to Mr. Rogers, this process of segmentation will leave banks with less than a full arsenal of services. Some, he said, already have concluded that retail banking is a risky business to be in and have curtailed services there.

Mr. Rogers also looked at bank customers, saying that not only have banks' competitors changed, but so have their customers. The individual customer is better educated and more comfortable with technology. He's less future-income oriented than was his predecessor. He's living for now, not leaving idle deposits in commercial banks. Money-market funds, said Mr. Rogers, have given him a taste of market rates, and he's unlikely to accept Reg Q ceilings in the future.

The corporate customer, too, he continued, is smarter. With interest rates at 20% and more, corporations have become adept at managing cash, cash that used to appear in banks as free deposits.

"To achieve success in this new world," Mr. Rogers counseled, "new marketing techniques — techniques specifically geared to the markets chosen — will have to be created. That's a major challenge facing every member of this audience."

Summing up, Mr. Rogers said: "*You* must help guide the management of your institution to find its niche in the market. You must design specialized programs to reach markets on a cost-effective basis. You must participate in a management matrix that will successfully integrate technology, planning, operational and banking skills.

"In the new world of banking, your expertise and creativity will be in greater demand than ever."

A Bank's Reputation. This should be regarded as an asset to be developed, improved and reported on, advised T. Joseph Semrod, president/CEO, United Jersey Banks, Princeton, and until last spring, president, Liberty National Corp., Oklahoma City.

Mr. Semrod said even a bank's funding efforts are affected by its reputation. If financial markets have confidence in an institution, he pointed out, a bank can borrow funds as cheaply as or cheaper than its competition. The lower the cost of funds, the higher the earnings and vice versa.

In addition to giving banks an edge in financial markets, he continued, reputation can make the difference in consumer marketing. "For customers faced with commodity products of comparable price and quality, a bank's reputation can break the tie." Internally, he noted, "a bank's reputation among its employees can sustain morale during times of disappointing earnings and minimal profit sharing. Externally, it can make the job of the recruiter easier by making his bank competitive with industries that have more glamour and fewer troubles."

How does a bank turn facts into a reputation? Mr. Semrod outlined strategic activities that marketers are uniquely qualified to carry out: persuasive communications, including corporate advocacy, employee communications, investor relations and public affairs.

Looking Forward. Charles E. Lord, acting Comptroller of the Currency, stepped forward a few years to look at how he believes banking will be at that time. Long before 1990, he believes, all deposits, including transaction accounts, should be paying market rates of interest. "Core deposits" — the touchstone for prudent bank management a decade ago — will be all but a meaningless concept.

He foresees fewer geographic restrictions — perhaps they may be removed altogether. He foresees competition among depository institutions becoming intensified by the progressive easing of restrictions that mandate product segmentation and specialization. By 1990, he continued, differences between depository institutions will have blurred to the point where any remaining distinctions between lending and deposit services offered by banks, thrifts and credit unions will be due to market pressures, not statutory

(Continued on page 76)

Corp. Marketing Council

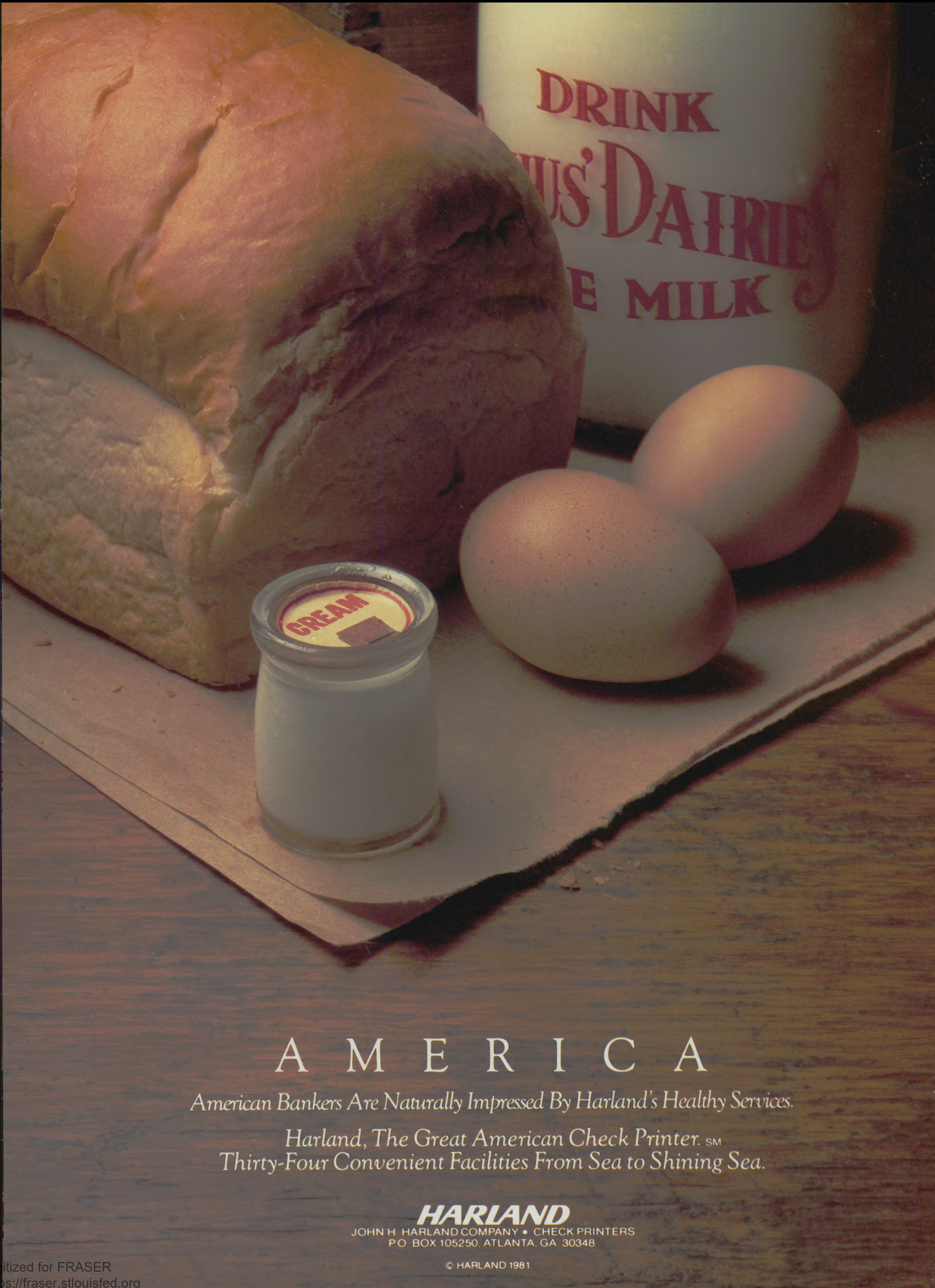
The BMA formed a corporate marketing council last spring. Its mission, as announced during the convention last month, is to identify and effectively meet the many needs of senior corporate marketing professionals within commercial banks and particularly those with assets of $500 million or more.

The first major initiative will be a corporate marketing conference May 16-19 at Innisbrook Resort, Tarpon Springs, Fla. It will cover market segmentation, sales management/training, nonbank competition and differentiation. In addition to bank professionals, speakers will include marketing leaders from other businesses, such as IBM, Merrill Lynch and Xerox.

In 1982, the BMA Information Center's collection on corporate marketing will be expanded.

Chairman of the new council is James J. Smith Jr., vice president/commercial marketing director, First National, Chicago. Among council members are two other bankers from the Mid-Continent area — Serge Uccetta, vice president, Continental Illinois National, Chicago, and Marshall C. Tyndall Jr., senior vice president, Texas Commerce Bancshares, Houston.

Two BMA convention speakers are shown in action. At l. is Senator Jake Garn (R.,Utah), ch., Senate Banking Committee. At r. is Charles E. Lord, acting Comptroller of Currency.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New Tax Act Encourages Rehabilitation Of Old Buildings, Historic Structures

By James W. Koeger*
Tax Supervisor
Peat, Marwick, Mitchell & Co.
St. Louis

THE ECONOMIC Recovery Tax Act of 1981 constitutes the largest single tax reduction legislative act in history. One of the provisions in the act is an expanded investment tax credit for rehabilitating buildings and certified historic structures. This provision allows for a direct credit against tax equal to 15% of expenditures to rehabilitate qualified buildings 30 to 39 years old, 20% of expenditures to rehabilitate qualified buildings at least 40 years old, and 25% of expenditures to rehabilitate certified historic structures.[1]

Bankers considering the establishment of a new facility or branch or construction of a new bank building should consider rehabilitation of the existing building or another building in a different location to take advantage of the expanded investment tax credit provision. In order to receive the credit, *qualified rehabilitation expenditures* must be incurred with respect to a *qualified rehabilitated building*.[2]

Qualified Rehabilitation Expenditures. A qualified rehabilitation expenditure is any amount properly charged to a capital account that is incurred after December 31, 1981. The expenditure must have a recovery period under the act of 15 years and must be incurred in connection with the rehabilitation of a qualified building.[3] Qualified rehabilitation expenditures do not include (1) the costs of acquiring any building, (2) any expenditures attributable to enlarging an existing building, or (3) costs of acquiring property that already qualifies for investment credit. The taxpayer must elect to use straight-line depreciation for those expenditures on which the rehabilitation credit is claimed and must reduce the depreciable basis of the rehabilitated structure by the amount of the rehabilitation credit, except in the case of a certified historic structure as discussed hereinafter.[4]

Qualified Rehabilitated Building. A qualified rehabilitated building is defined as any building that was placed in service before the beginning of the rehabilitation and which has been substantially rehabilitated. In the rehabilitation process, 75% or more of the existing external walls must be retained as external walls.[5]

A building will be considered to be substantially rehabilitated only if the qualified rehabilitation expenditures incurred during the prior 24-month period exceed the greater of (1) the adjusted basis of the property, or (2) $5,000. An alternative 60-month period can replace the 24-month period if the rehabilitation is to be completed in phases set forth in architectural plans and specifications completed before the rehabilitation work is commenced.[6]

In order for the building to qualify, there must exist at least a 30-year period between the date the rehabilitation began and the date the building was first placed in service.[7] The bank is not required to have owned the building throughout this initial 30-year period.

Example: In 1982, the bank incurs $500,000 of qualifying rehabilitating expenditures on its 40-year-old building that is fully depreciated. The bank will claim a tax credit of $100,000 (20%) and reduce its basis in the rehabilitation expenses by $100,000. The depreciable basis is, therefore, $400,000, and is written off over a 15-year life on a straight-line basis.

Transitional Rule. The rehabilitation credit is not a new concept. The Revenue Act of 1978 provided for a credit of 10% of qualifying expenditures with a useful life of five years or more on buildings at least 20 years old. This credit did not reduce the depreciable basis of rehabilitation expenditures. The new act repeals the current 10% rehabilitation credit for expenditures incurred after December 31, 1981, but provides for a transitional rule.[8] If physical work on a rehabilitation is begun prior to January 1, 1982, on a building that meets the old 20-year rule but does not meet the new 30-year rule, the current 10% credit will apply to expenditures on the project including those incurred after January 1, 1982.

Therefore, if a planned rehabilitation of the bank's building will not meet the new act's requirement of a period of 30 or more years since the building was placed in service, or the requirement of a substantial rehabilitation, the bank should consider accelerating the rehabilitation project into 1981 and commencing the rehabilitation prior to January 1, 1982, in order to take advantage of the current 10% credit.

Other incentives to qualify under the current credit are that the expenditures can be depreciated on an accelerated method instead of the straight-line method and the basis in the rehabilitation is not reduced by the amount of the credit.

Component Depreciation. Under old law, a bank would be able to accelerate depreciation deductions on a large remodeling or building program by using component depreciation. Taxpayers were allowed to segregate the total cost of remodeling or new construction into various elements such as structure, heating and air conditioning, plumbing, wiring, etc., and assign separate useful lives to each element. Shorter useful lives than those normally assigned to a building would be assigned to some components resulting in a faster write-off for construction costs.

However, under the Accelerated Cost Recovery System provisions in the act, all property acquired is assigned to one of five classes of property. The useful lives and depreciation methods are predetermined for each class of property except that taxpayers may elect to use the straight-line

1. IRC Section 46(a)(2)(F)
2. IRC Section 48(a)(1)(E)
3. IRC Section 48(g)(2)A
4. IRC Section 48(g)(5)(A)
5. IRC Section 48(g)(1)(A)
6. IRC Section 48(g)(1)(C)
7. IRC Section 48(g)(1)(B)
8. Economic Recovery Tax Act of 1981, Section 212(e)(2)

**Mr. Koeger works extensively in the banking industry and serves many bank clients of Peat, Marwick, Mitchell & Co. He is a member of the American Institute of Certified Public Accountants and the Missouri Society of Certified Public Accountants and has taught for the latter organization and the American Institute of Banking.*

method instead of the accelerated method for each class. As the act established a 15-year useful life for most real property, taxpayers are no longer able to use component depreciation.

The only costs that need to be segregated are those that would be assigned to one of the other classes, such as the five-year class for tangible depreciable property. Draperies, carpeting and movable partitions are examples of property that must be assigned to the five-year class. These items qualify for regular investment-tax credit and do not qualify for rehabilitation credit. All other rehabilitation costs probably would be assigned to the 15-year recovery class and would meet that requirement for qualifying rehabilitation expenditures.

Certified Historic Structure. A certified rehabilitation of a certified historic structure qualifies for a 25% credit and no reduction is required to the basis for the credit on such structures. In order to qualify for this 25% credit, the Secretary of the Interior must certify to the Secretary of the Treasury that the rehabilitation of the certified historic structure is consistent with the historic character of such property and the district in which such property is located.[9]

The term "certified historic structure" means any building which is listed in the National Register or is located in a registered historic district and is certified by the Secretary of the Interior as being of historic significance to the historic district.[10] It normally is not difficult to qualify for certification and listing in the National Register, but the process does take time. If a structure has any historic or architectural significance, it usually will qualify. A bank building was recently added to the register because it was once robbed by Bonnie and Clyde!

The act repealed both the special 60-month amortization provision and the special rule permitting use of accelerated methods of depreciation for substantially rehabilitated certified historic structures.[11] It also repealed the present rule requiring use of straight-line cost recovery over the useful life of a building placed in service at the site of a demolished or substantially altered certified historic structure.[12] Thus, cost recovery rules under the act will apply to a building that is constructed or reconstructed at the site where a historic structure was demolished or altered.

(Continued on page 72)

9. IRC Section 48(g)(2)(C)
10. IRC Section 48(g)(3)(A)
11. Economic Recovery Tax Act of 1981, Section 212(d)
12. *Ibid.*

Rehabbed Buildings Can Be Showplaces!

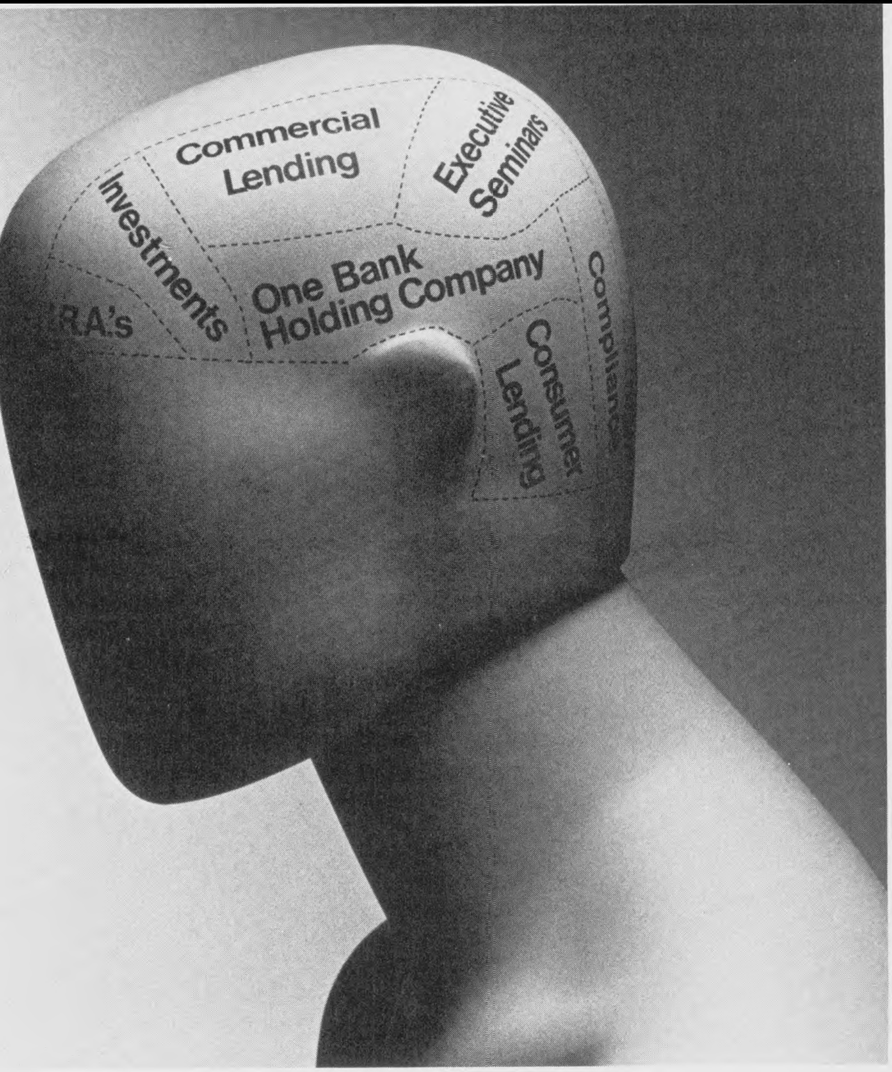
FINANCIAL institutions have been taking advantage of rehabilitating old structures to house their quarters for some time, even without the new tax advantage that becomes effective January 1, 1982 (see adjoining article).

First Federal Savings & Loan, St. Joseph, Mo., took over the old German American Bank building in 1974 and rehabilitated it to make it a modern structure. The building, which is the original home of American National, St. Joseph, is ideally located on St. Joseph's new pedestrian mall. The building is listed in the National Register of Historic Places and dates from 1889. The exterior bears reminders of the original occupant in the form of two shields over the main entrance — one depicts an American eagle and the other an imperial German eagle. Style of the structure is Richardson Romanesque, in honor of its designer, Henry Hobson Richardson.

The rehabilitated structure of Valley National, Des Moines, Ia., has preserved what is termed one of the finest examples of art-deco design in the Midwest. The bank built the structure in 1932 and was considering moving out when it was realized that the building's prime location and distinctiveness warranted a rehab job, which was completed in 1977. The building has since been added to the National Register of Historic Places. The exterior is Indiana limestone and the three-story-tall main entrance and first story are of polished black granite. The main banking room contains four massive chandeliers and features windows 22 feet in height.

These institutions have proved that a satisfying blend of the old with the new is not only possible, but desirable under the right conditions ● ●

LEFT: First Federal Savings & Loan, St. Joseph, Mo. BELOW: Valley National, Des Moines, Ia.



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Anti-Holding Company Resolution Adopted by Kentucky Bankers

By RALPH B. COX, Publisher

NEW KBA OFFICERS — President Allan S. Hanks, pres., Anderson Nat'l, Lawrenceburg; President-Elect F. C. Keiser, ch./pres., Farmers Deposit, Eminence; and Treasurer Berks Brown, e.v.p./cash., Southern Deposit, Russellville.

THE ISSUE of banking structure flared briefly last month at the annual Kentucky Bankers Association convention in Louisville. The flare was extinguished — for the moment — as bankers supported a resolution that put the KBA on record "as opposing any bill that might be introduced in the (state's) next General Assembly to permit banks to cross county lines."

There is little doubt, however, that the flame is still smoldering and could easily flare anew when the state's General Assembly convenes in January, 1982.

It has been generally anticipated — and also somewhat encouraged by Kentucky's Governor John Y. Brown Jr. — that a bill would be introduced in 1982 to permit multi-bank HCs in Kentucky. Currently, Kentucky operates under a county-wide branching law that prohibits the crossing of state lines and also prohibits formation of multi-bank HCs.

Kentucky Governor Brown spoke to bankers at a breakfast session. He announced that bankers should not expect "any movement" from his administration on the controversial issue. Nonetheless, he said, he remained "very strong for statewide banking."

Governor Brown had suggested earlier in the summer that Kentucky banking laws should be examined because of the increased competition from such firms as Merrill Lynch, Sears, Roebuck and others.

Although the governor, in his breakfast speech to some 1,000 bankers, seemed to be backing down on his earlier announced position of pushing hard for banking-law change, he did urge bankers to have "vision" toward the future. Apparently, he still expects "recommendations" on multi-bank legislation from some sources in the state, but the legislation, in view of the KBA position, could have an uphill fight.

Shortly after the governor spoke, bankers met in their final convention session and adopted a resolution from the floor putting the KBA on record as opposing multi-bank HCs. Although the wording of the resolution was questionable to some bankers — it said, for example, that the association opposes legislation that "would permit banks to cross county lines to establish

Convention speaker Margaret L. Egginton, FDIC, Washington, D. C.; Willis G. Moremen, e.v.p., KBA; Joe Stacy, outgoing KBA pres., and speaker Harry Gatton, retired director, North Carolina Bankers Association.

new branch offices" — the intent of the resolution was to thwart multi-bank HCs.

This resolution was introduced from the floor by W. R. Smith, chairman, Bank of Hindman, a bank of about $25 million in assets. Mr. Smith apparently did not wish to submit his resolution through the normal channels of the convention committee, preferring instead to present it from the floor.

KBA president Joe Stacy graciously recognized Mr. Smith, called for a voice vote (twice) and then announced the resolution had carried. It was obvious that the convention was not unanimous, but those voting for the resolution made more noise than those opposing it and they carried the day — at least for the moment.

Governor Brown also has been somewhat critical of bankers for their reluctance to pay higher rates for the state's surplus funds. Currently, Kentucky banks now pay 25 to 100 basis points less than so called money-center banks in New York, Chicago, etc. Earlier in the summer, Governor Brown had intimated that in order to earn the maximum for Kentucky surplus funds, he would entertain bids from out-of-state banks as well as Kentucky banks. Kentucky bankers argued that such a policy would work against the state's economy because those funds would not be loaned to local business and if the governor chose that course of action, it actually would work against his desire for a better business climate in the state.

Governor Brown stated at the breakfast meeting that he would be willing to discuss a regional rate that would be lower than that offered by New York or Chicago banks, but the wouldn't say how much of a lower rate would be acceptable. Several hours later, at their business session, Kentucky bankers passed another resolution, which recommended that the state's "General Assembly recognize fully the benefits derived from a wide distribution of state funds in banks throughout the state when considering any proposals for change in state investment policies." The resolution obviously was aimed at the governor's implications that state funds could be invested in out-of-state banks.

Kentucky bankers also adopted one other resolution that was especially pleasing to State Banking Commissioner Randall Attkisson. The KBA recommended that statutory changes were necessary to ensure that fees collected by the department of banking (from state banks) be used exclusively to fund the department and to improve the quality of examinations. The resolution also recommended that the commissioner of banking be given greater authority to determine personnel salaries.

Resolutions Chairman Ralph E. Buchanan, chairman and president, Bowling Green Bank, stated that fees collected from state banks currently are commingled with other state funds and "could" be used for other purposes than that of funding the state banking department. There was no indication, he said, that this actually was being done, but the resolutions committee felt that some statutory changes were necessary to insure that *all* funds be used properly for the state banking department.

Another resolution adopted by the KBA asked for "action" by Congress and the Kentucky General Assembly "to deregulate lending rates to provide lenders the flexibility needed to respond to credit needs of borrowers at rates consistent with the cost of money as determined by the market. Deregulation of deposit rates," the resolution stated, "must be matched with deregulation of lending rates."

One of the convention's featured speakers, Angelo R. Bianchi, president, Conference of State Bank Supervisors, was warmly received by Kentucky bankers as he voiced strong support for the dual-banking system and also for a sharp attack on "all those" who propose that interstate banking would promote more competition among banks and thus be a better system for the nation. Actually, it is the banking monopolists, charged Mr. Bianchi, who attack the McFadden

Convention speaker Angelo R. Bianchi, pres., Conference of State Bank Supervisors, is flanked by William G. Grannan, administrative v.p., KBA; and Willis G. Moremen, e.v.p., KBA.

David Holland, e.v.p., Citizens Bank, Hickman; Martha Layne Collins, lieutenant governor of Kentucky; and Pauline Crump, Trigg County Farmers Bank, Cadiz.

J. W. (Billy Joe) Phelps, pres., Liberty Nat'l, Louisville, accepts Community Service Award from F. Harrison Poole, v.p./treas., Philip Morris, Inc.

and Douglas acts as being anti-competitive. These statutes are not anti-competitive, said Mr. Bianchi, but they *are* anti-monopolistic.

Mr. Bianchi also expressed concern that bankers are "lackadaisical" about the dual-banking system and take it for granted. The dual system, he said is a unique structure — a partnership between the states and the federal government where the federal government is *not* totally dominant. Bankers sometimes take this system for granted and because of this, he said, "we could lose the system." To combat this lethargy, stated Mr. Bianchi, commissioner of banking in New Jersey, the CSBS has developed an expanded communications program designed to remind bankers that the dual-banking concept provides checks and balances within the system as a defense against monopoly in banking and in bank supervision.

Mr. Bianchi was especially tough on proponents of interstate banking. What do they mean, he asked, by their terminology of interstate banking? Does it mean interstate ownership? If it does, he said, we already have interstate banking because we have Edge Act corporations, loan production offices, interstate lending, correspondent banking, etc.

What it doesn't permit at this time, he stated, is the "interstate acquisition of deposits!" The present system, he argued, "keeps the money in your state for your depositors." If interstate banking does become a reality, he said, then more and more deposits will be drained toward the major money-center banks and loaned to foreign countries and/or major corporations.

Mr. Bianchi also had a word about money-market funds. They should be regulated, he charged, because they "take money out of your state and invest it in Eurodollars or in countries like Zaire." The funds, he said, should be required to meet the same regulations as financial institutions.

ABA President Lee E. Gunderson also expressed concern about money-market funds and stated that the ABA was committed to a policy of achieving some fair means of competition with banking's non-regulated type of competitor. Banking's competitors used to be one another, he said, but now we have Sears, Roebuck, Merrill Lynch and many others. Mr. Gunderson indicated the ABA would never cease to fight for some means of "equality" with these newer competitors.

Mr. Gunderson, president, Bank of Osceola, Wis., also commented on the issue of interstate banking. The ABA policy continues to support both the Douglas and McFadden acts and has not deviated from the original intent of these laws. "We continue to talk about it in our leadership conferences," he said, "but that doesn't mean we (the ABA) advocate change."

ABA policy is established by its members through the leadership conference. Those who go to the leadership conference, letters from bank members, grassroots opinion determine whether change will or will not come in the ABA's policy toward the Douglas and McFadden acts. At the moment, there is no ground swell in congress nor among ABA members to change the Douglas and McFadden acts, said Mr. Gunderson.

At one of their sessions, Kentucky bankers elected the following new officers to serve for the coming year:

As president, they named Allan S. Hanks, president, Anderson National, Lawrenceburg, to succeed Joe Stacy, chairman, Bank of the Mountains, West Liberty.

As president elect, they named F. C. Keiser, chairman/president, Farmers Deposit Bank, Eminence; and as treasurer, Berks Brown, executive vice president/cashier, Southern Deposit Bank, Russellville.

The KBA also named three new directors:

Arch Mainous Jr., president, Citizens Union National, Lexington; J. W. Carey, president, Union National, Barbourville; and J. P. Cooney, executive vice president, Bank of Maysville.

Kentucky ABA members elected Robert E. Sutherland a member of the ABA governing council. Mr. Sutherland is president, Wilson & Muir Bank, Bardstown.

One annual event of growing interest to Kentucky bankers is a Community Service Award presented by the Philip Morris tobacco company. Banks are nominated for their work in effective community programs, and a winner is selected from among several nominees.

This year's winner was Liberty National, Louisville, for a program that united art and education groups in providing events ranging from a mask art exhibition to a "mask and music ballet." The bank received $1,000.

Other nominees were: Peoples Bank of Berea; Citizens National, Bowling Green; Citizens Bank, Glasgow; United American Bank, Somerset; and Citizens Deposit Bank, Vanceburg. ● ●

ABA Ag Conference Set

THE IMPACT of banking deregulation, increased competition, high volatile interest rates, farm commodity outlooks and new farm program directions under President Reagan's Administration will be key discussion topics for bankers planning to attend the ABA's 1981 National Agricultural Bankers Conference November 8-11 at the Sheraton Washington (D.C.) Hotel.

For the first time in the 30-year history of the conference, ag bankers will meet in the nation's capital to discuss the issues identified by the conference theme, "Financing America's Strength."

The conference format will be structured around a series of general sessions and workshops that will focus on understanding the national leadership, coping with near-term farm income problems and the more favorable long-term outlook and adjusting to a new banking environment.

Keynote speaker for the opening general session will be Llewellyn Jenkins, vice chairman, Manufacturers Hanover Trust, New York, who will be ABA president at the time of the conference. Other speakers at the opening session will include Conference Chairman W. D. (Bud) Willer, executive vice president, Decorah (Ia.) State, and Gerald M. Lowrie, executive director, ABA government relations group.

A farm-policy panel of government ag officials will be moderated by Orion Samuelson, agricultural broadcast spokesperson and vice president/farm service director, WGN Continental Broadcasting, Chicago.

A general session on the second day of the conference will feature a farm commodity international trade outlook presentation and a general agricultural outlook panel of speakers who will cover topics that include the general economic outlook and the outlook on livestock and feed/food grains.

The final session will feature an activities report on the ABA agricultural bankers division and a presentation by Frank Naylor, under secretary for small community and rural development for the Department of Agriculture. ● ●

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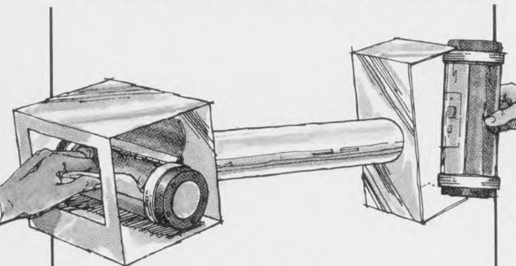

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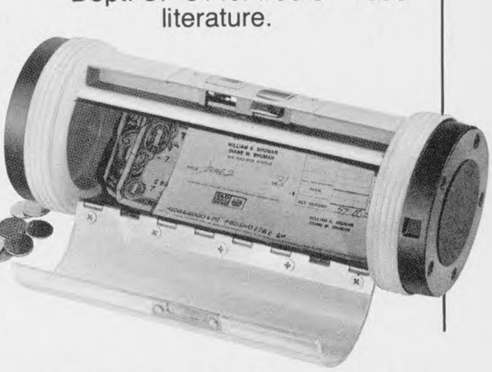

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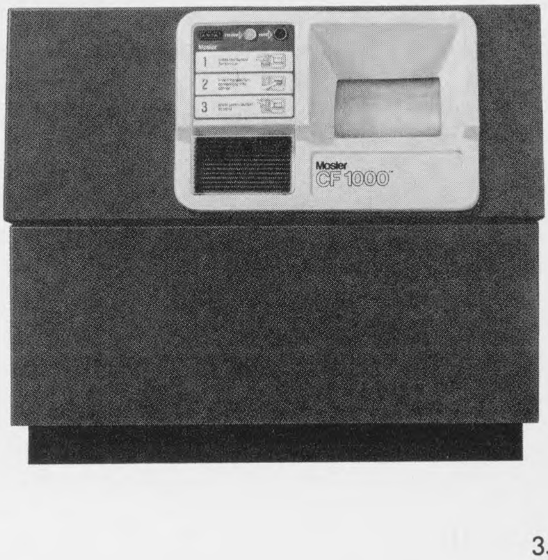

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Bank Builder Survey –

What Bankers Want From Builders: Facilities Enabling Them to Compete

Tougher Competition Among Major Concerns

TOUGHER competitive situations, changing consumer life styles, growing acceptance of technological innovations and increasing availability of alternative financial services are creating pressure for more effective banking facilities, says Frank Bottini, marketing manager for Bank Building Corp., St. Louis.

"The risks involved in making a building decision have increased with deregulation, so it's essential to carefully evaluate the alternatives before making commitments," he says.

A clear statement of a bank's strategy and marketing goals is important input prior to any discussion of design. Professional assistance is valuable in analyzing market competition and evaluating alternative locations.

Today, many bankers are showing considerable interest in modernizing and expanding main offices, Mr. Bottini says. Such remodeling can pay big dividends if properly planned. But it rarely is simple. It pays to obtain expert preliminary analysis of a specific situation as well as current and projected requirements before making any decision.

Changing state regulations on what constitutes a facility, coupled with liberalized branching provisions in other states, are undoubtedly increasing the total number of manned and unmanned locations, Mr. Bottini says. Consumer demand for greater convenience as well as the individual banker's desire to increase market coverage are pushing this expansion. The cost of low-transaction manned facilities has become a drain on earnings for some banks in some parts of the country and it illustrates the necessity of careful planning.

Mr. Bottini points out that the Economic Recovery Tax Act of 1981 contains two incentives for building and/or remodeling financial facilities.

The Accelerated Cost Recovery System (ACRS) creates a 15-year write-off period and a 175% declining-balance depreciation rate for most depreciable real estate. This allows a much faster recovery of investment in physical facilities than under previous law.

Secondly, he says, buildings that are substantially rehabilitated yet retain 75% of their existing external

(Continued on page 42)

Reducing Number of People Vital to Bank Operation

TODAY'S bankers want and need the following characteristics in terms of design and function to serve customers better at home offices, branches and facilities, according to Wally Geoghegan, vice president, Bunce Corp., St. Louis:

- Functional space planning to facilitate efficient use of equipment and personnel.
- Good looking bank quarters that will attract new customers.
- Flexibility to accommodate potential operational changes or expansion.
- Exceptional value for their expenditure.

Mr. Geoghegan sees more routine banking transactions taking place at facilities or remote locations due to the convenience factor.

Therefore, he says, banks will need more facilities or remote locations, many of which will be of modest size. However, he adds, there appears to be a strong preference for a home office of adequate size and stature to represent the institution where senior banking officers can interact with their major commercial, retail and trust customers.

In discussing the justification of the loss of immediate income from a banker's investment dollar by investing in bricks and mortar for the long term, Mr. Geoghegan says the long-term vs. short-term consideration of the investment dollar always is the entrepreneural consideration in any new business venture. A banker must believe that his building project is a well considered, creative investment in the institution's future, one that will serve his bank functionally in the present and will attract new customers, adding to the bank's growth. The banker is, finally, making a statement about the future in choosing to build.

When asked how a banker can best determine how much space he needs for a new project, Mr. Geoghegan replies: "To build a new bank building to satisfy only current needs is short-sighted and ensures that the new building will be obsolete long before its life cycle. Projecting long-term space needs is difficult to accomplish. Thus, often it is done by gross space allocation for future use. This usually is a waste of money and will cause problems in the future. A good space projection process differentiates between departments and is based on the bank's own history and operational practices.

"It deals with the difficult issues

(Continued on page 42)

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.

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On the Cover

A selection of recent bank building projects in the Mid-Continent area include Boatmen's Raytown (Mo.) Bank (top photo), a project of architects Design Collaborative, Parkville, Mo.; National Bank of Commerce, Lincoln, Neb., (2nd from top), a project of Bank Building Corp., St. Louis; First Security National, Alexandria, La. (3rd from top, on left), built by HBE Bank Facilities, St. Louis; McPherson (Kan.) Bank (3rd from top, on right), a project of Cawthon Building Systems, De Soto, Tex.; and United Missouri Bank, Kirkwood, Mo. (bottom photo), a project of Bunce Corp., St. Louis.

Few Dramatic Changes Occurring in Designs

ARE ANY dramatic changes occurring in bank design — changes that could be related to EFTS, ATMs, bulk filing, truncation or other services that might be on the horizon in the next decade?

Not really — at least for moderate size banks in the Midwest, according to Robert R. Keyes, executive vice president of HBE Bank Facilities, St. Louis. It is true, he stated when interviewed recently by this publication, that designs and layouts must have enough flexibility in order to anticipate changes that might occur in bank services.

As one example, Donald R. Flott, financial service consultant for HBE Bank Facilities, cited the ATM. Many states in the Midwest have restrictive branching laws that severely restrict a bank's ability to capitalize on the use of ATMs. Although most banks are not actually installing ATMs, almost every new building is designed to accommodate one at a later date. The same would hold true, Mr. Flott said, for any other department or service that might be added by a bank after a building program is completed.

In states with more liberal branching laws, banks are finding greater use of ATMs, free-standing facilities and often smaller branches, but there seems to be no *big trend* in this direction in the Midwest, primarily because of regulatory restraints.

Thus, when asked if bank home offices might decrease in size in those states where banks *are* adding more facilities, Mr. Keys said he did not foresee such a development. There has been some talk, he admitted, that banks might build smaller home offices, but he compared that somewhat to the predictions of the checkless society. "There's been a lot of talk about the checkless society but it isn't here yet! The trend to more customer services creates a demand for more support personnel, more staff functions and more managers that generally are located in the home office," Mr. Keys said.

Banking practices vary considerably from state to state, depending on regulations and market. In general, midwestern area banks tend to be smaller units or operate under limited branching laws. With this banking environment, he said, traditional operation and building concepts are prevalent.

(Continued on page 42)

ATMs to Revolutionize Bank Building Concepts

OLD BANK building patterns are obsolete, says Bob Crumpton, vice president/marketing, in the financial division at Cawthon Buildings Systems, De Soto, Tex.

"We're in a different world — a different market," he says. He points out recent happenings that have brought this different world into being:

- The playing field has been leveled. Commercial banks, thrifts and credit unions will offer essentially the same services. This will result in smaller and more numerous branches.

"In the few remaining unit-banking states, pressure will intensify for bank branching in order to meet competition from thrifts and credit unions," Mr. Crumpton says. "It will be increasingly hard for those who oppose branching to hold out. Competitive economics can force the issue.

"Thus this 'dam' will break, branches will spring up and new home office buildings will be smaller."

- More free-standing ATM facilities will be installed in prime locations such as shopping centers and other popular places, Mr. Crumpton says. These facilities will be the branches of the future. Such locations generate the most activity because they are popular with customers. Given the choice, customers will use ATMs over manned facilities by a more than three-to-one margin. Traffic will be drained from bank lobbies and congested drive-in lanes, he adds. ATMs mean more profit for banks — as ATM transactions increase, their cost drops dramatically, which translates into more profit.
- More ATM sharing is developing, Mr. Crumpton says. City networks will become regional and regional networks will become statewide and national in scope. More free-standing ATMs will be needed by these expanding networks.
- Pressure will intensify for intrastate branching.
- Treasury Secretary Regan plans to review and "improve" the total financial field (banks, thrifts and credit unions) toward an improved and more responsive service for the customer.

Such a move by the secretary will mean change. Whether this means buildings will be smaller or otherwise different — and in what way — it's difficult to determine now, but such a move will create change.

(Continued on page 42)

Bank Buildings of Today Provide Glimpses of Future

→

Bankers Want Convenience Combined With Security

BANKERS are concerned with placing an emphasis on customer service and the ease of obtaining such service at the home office, says Homer L. Williams of Architects Design Collaborative, Parkville, Mo.

A pleasant, modern esthetically pleasing design is important and use of the most efficient equipment, combined with a security minded building and fixture plan is required.

To project this security and, at the same time, allow for ease in banking operations while implementing a design with energy-saving mechanical systems is paramount, he says, and it always must be done within a desired budget limit.

A bank branch office has its particular requirements: The car often is more the customer than the person is, he says. Site planning that allows for ease in getting the customer's vehicle to the teller is important. Also important is a plan that will allow flexibility for growth. Efficient expansion can be done only with good master planning, especially when it comes to the vault, future drive-up lanes or allowance for future equipment in interior working spaces.

Today's banker expects a professional consultant or architect to be able to assist him at the outset, Mr. Williams says. Valuable input relative to site selection can be made by the consultant. His office recently serviced a client who asked for preliminary design work for an expansion/renovation project. After much consideration, supported by graphic planning, it was mutually decided that an entirely new facility should be constructed at a location different from the one previously selected rather than undertake an expansion project at the original site. The reverse has been the case on other jobs.

Energy is a major topic when planning a bank project, he says, and the use of simple low-cost, but efficient, planning can result in lower operating costs. The age of the all-glass curtain-wall building has passed. Active solar systems may be cost efficient in time, he says, but passive systems are being used efficiently now.

As a designer of banks, Mr. Williams says, he sees some move to smaller facilities because of ATM

(Continued on page 42)

Functional Space Planning Key to Efficient Operation

FUNCTIONALISM and efficiency are paramount among the needs of bankers desiring to serve customers better at all types of installations, says Jim Clybourn, manager, facilities planning department at Mosler, Hamilton, O.

"Bankers are interested in reducing the number of people required to maintain any of their installations, be they home offices, branches or facilities," Mr. Clybourn says. "By properly working out space requirements, interdepartmental relationships, bank personnel traffic flow and work flow, the bank can minimize the space required and maximize the efficiency of the operation to make the facility function at a profit.

At the present time, he says, there seems to be a large demand for ATM locations and small facilities. Banks are locating these facilities in grocery stores, shopping centers, nursing homes, etc. These facilities, however, don't seem to be lessening the demand for a full-service operation where the market area indicates full service is needed. Banks seem to be continuing to build full-service branches.

"In the 21 years I have been with Mosler's planning department, the number of main offices and branches we have planned for banks throughout the U. S. has remained pretty consistent at around 320 a year," Mr. Clybourn says.

Projecting into the future, Mr. Clybourn says that manned branches will continue to be in the picture until the state of the art progresses to the point that a full-service unmanned facility is feasible.

"Over the years," he says, "we have seen state regulations change from allowing only a drive-up facility to allowing a full-service branch. In these instances, banks build full-service branches wherever the market seems capable of supporting them. In states where county-wide branching laws have been changed to contiguous-county banking, most banks embark on programs of entering into competition in the contiguous counties."

These days, he says, there is a lot of talk of interstate banking and, if laws are changed to permit this type of operation, many bankers will enter into this competition with full-service facilities.

"While we have watched the growth of ATM networks, drive-in facilities and small manned facilities in shopping centers and stores, we also see the continued growth of full-service branches." • •

▲ First National, Okmulgee, Okla., a project of Bunce Corp., St. Louis.

▲ Forest Grove National, Cornelius, Ore., a project of Bank Building Corp., St. Louis.

▲ Peoples State, Prairie Du Chien, Wis., a project of HBE Bank Facilities, St. Louis.

◄ Transfund Banking Center, Bank of Oklahoma, Tulsa, a project of Cawthon Building Systems, De Soto, Tex.

Boatmen's North Hills Bank, Kansas City, a project of Architects Design Collaborative, Parkville, Mo. ▼

Tougher Competition

(Continued from page 36)

walls can qualify for a new tax credit. The credit is 20% for commercial buildings at least 40 years old, 15% for those at least 30 but less than 40 years old and 25% for qualified historic structures. This tax credit is in lieu of the previous 10% investment tax credit on rehabilitated buildings (at least 20 years old) that expires this December. The new rehabilitation tax credit, coupled with the faster cost-recovery system, should make remodeling even more attractive to many banks.

Owners of buildings more than 20 but less than 30 years of age still can qualify for the 10% rehabilitation under a transitional provision if physical work is started before the end of 1981, he says. ● ●

Reducing Number

(Continued from page 36)

of change in competition, marketing, regulation and technology. Despite the difficulty of the process, it is possible to come up with useful projections on which planning decisions can be made.

"Bankers tend to approximate space needs in relationship to growth of footings, deposit base, loan volume or numbers of employees. This is highly inaccurate and not suitable for detailed planning. Computerized projection systems lack the ability to interject judgment into the projection process and result in standardized projections.

"The process of space projection cannot be treated simply as a numerical projection, but must combine judgment, experience and understanding of the industry as well as the bank's own plans." ● ●

ATMs to Revolutionize

(Continued from page 39)

Mr. Crumpton points out the following instances of change that "are happening almost too fast to keep up with."

- The Federal Home Loan Bank Board (FHLBB) has authorized federally chartered S&Ls to establish ATMs and other kinds of remote services on an intrastate basis.
- The FHLBB has approved a merger of three S&Ls in widely separated states.
- Girard Bank, Philadelphia, has expanded its ATM "fleet" in five years from five off-line units to 168 on-line units.
- Shawmut Bank, Boston, has opened an unmanned personal banking center. The center's previous three manned teller stations now are replaced by two ATMs operating 24 hours a day, seven days a week.
- Visa USA has announced that members can use the firm's computerized authorization and billing system to interconnect local proprietary and regional non-Visa shared ATM networks. Visa card holders will be able to withdraw funds wherever an agreement has been worked out. The potential exists for a national switch.
- Master Card expects to have a national ATM interchange capability this year.
- American Express has its express cash program that enables gold card holders to get cash from ATMs in major cities.

"It's our considered opinion that if all bankers knew the cost of their over-the-counter and drive-in transactions — using live tellers — the move to ATMs and the promotion of ATM service would be accelerated. For those bankers who have seen the light, it's not a question of getting into the program, but one of going in all-out. The primary problem becomes one of finding choice locations and pinning them down.

"Rarely has a new-customer banking service emerged that offers so much satisfaction to bank customers while at the same time improving bottom-line figures and reducing personnel problems of banks. ATMs are the competitive edge," Mr. Crumpton says. ● ●

Bankers Want Convenience

(Continued from page 40)

locations, but, for the most part, his clients are staying with previously accepted spatial considerations. Some even are thinking bigger because of future equipment and personnel needs.

Mr. Williams says he and his firm are interested in establishing a council or organization of bank designers that would provide mutual input and assistance in seeking answers to banking facility questions. Such a group could share the expertise of its members in exploring ways to minimize energy consumption, reduce initial construction costs and maintenance or operating budgets. ● ●

Few Dramatic Changes

(Continued from page 39)

In many cases, said Mr. Keys, banks are de-emphasizing the old "open-platform" idea. Space must be provided on the main banking floor, of course, for proper customer contact, but there is a trend toward more privacy in all types of banking transactions that has led to creation of more conference rooms and/or private offices.

Mr. Keyes also noted that many open areas of banking today are not partitioned off permanently. Movable walls are set up that do not reach the ceiling. These walls can be adjusted as departments grow or contract. But, in all cases, employee privacy provides better working conditions and leads to greater productivity on the part of employees.

There also is a definite trend for greater employee comforts and bankers rarely consider a modernization or building program that does not include upgraded employee lounges, employee lunch rooms complete with dishwashers and limited cooking facilities. It is obvious, he said, that bank management considers a happy employee to be more productive and these facilities are no longer considered frills but necessary and vital to the function of the bank.

Energy saving, too, is a usual consideration today in any building program. The techniques and materials are available, said Mr. Keyes, to provide bankers with much more efficient buildings than might have been the case several years ago. As a matter of fact, these tools were available several years ago but since energy was cheap, not as much consideration was given to energy conservation. Probably, he said, we'll see fewer glass-enclosed buildings in the future.

Commenting on drive-up facilities, Mr. Keyes indicated that bankers were continuing to emphasize the need — in fact, an increasing need — for a greater number of drive-up facilities. Where a bank formerly was served by one or two lanes, it is now recognizing the need for a third, fourth or even a fifth lane. Drive-up facilities of eight or 10 lanes are becoming common in some areas. But banks also, he said, are concerned about the productivity

(Continued on page 47)

Study by Outside Firm Helps Bank Decide Size, Location of New Home

WHEN management of a bank realizes it's time to start planning a new building, the first consideration usually is where to erect it. But how is the new location to be chosen? Should the bank move to the suburbs? To the other side of town? Or maybe just stay where it is?

How can a bank come up with a logical solution to this problem? How can it locate its new quarters where they will not be in the wrong place in just a few years? Bankers don't have the time, staff or expertise to project trends in population, industry, business, socioeconomic data, etc.

A few years ago, First National, Dickson, Tenn., a $50-million bank in the north central part of the state, had outgrown its facilities and needed to prepare for the future. According to the bank's president, Dan Andrews, who also is the current president of the Tennessee Bankers Association, "The bank's directors did not have the data on which to base the decision to relocate our headquarters, or if we were to relocate, just where we should be to adequately serve the growth of our community."

The solution was to place the problem in the hands of an expert, a firm that had the facilities and staff to make a study of Dickson and its surrounding area and come up with the right answer. The firm chosen— after many interviews — was Design/Build Concepts, Atlanta (hereafter referred to as Concepts).

Purpose of the study, as set forth by the firm, was to reach conclusions that would be in accordance with bank management's objectives: to ensure proper operating efficiencies and profitability; to better provide customer services; to enhance the bank's image within its community and to maintain lead market share.

Determination of size and location of the Main Office of First National within these objectives was the primary purpose of the study.

In mid-1980, Concepts representatives conducted various meetings, workshop sessions, interviews and research projects, resulting, says the firm's president, Dick Domurat, in what he believes is the only valid basis on which to prepare for the future. The information gathered was continually reviewed and assessed by the bank's management, and operating objectives were established based on data input and the bank's intended operating philosophy. The final study was accepted unanimously by the bank's directors, based on the validity and soundness of the conclusions reached.

The study was divided into three general phases.

The first phase — program plan and feasibility study — was divided into four parts: general-service-area/market-area profile; financial institutions within the bank's general service area; First National's long-range requirements and site/location analysis in the primary service area.

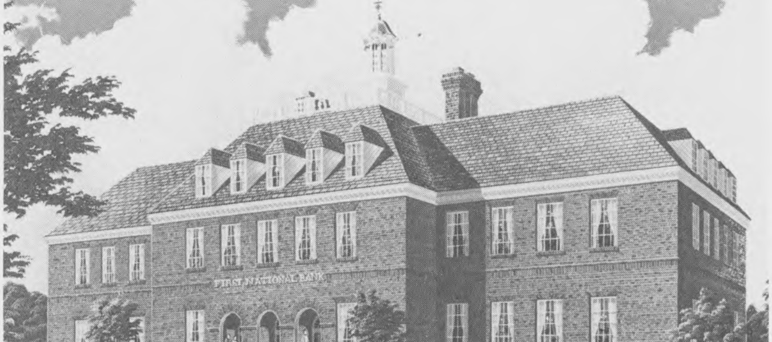
The second phase was focused on site selection and the third on actual program development.

To help the bank prepare within a logical planning sequence for its future growth, Concepts analyzed historical patterns of the past as well as present trends for First National's general and primary service areas. Using these data, the firm developed forecasts to determine the market-area profile of the future and outline requirements for the bank to prepare properly for the intended growth.

The study included an examination of Main Office requirements and consideration of the bank's other operating units as they related to location and market strategy.

Concepts collected data population trends by region and for Dickson County, gathered statistics for future telephone usage, obtained data from other utilities, studied employment trends and status of agriculture, which is an important economic factor in the bank's region and market.

In addition, the firm looked at other Dickson County industries, wholesale and retail sales, health/medical facilities, housing, education and recreation. Concepts also studied Dickson County's transportation/mobility status, evaluating the impact of highly traveled highways going through the region, as it relates to the bank's potential market. The firm found, for instance, that the county enjoys advan-



This is artist's rendering of future home of First Nat'l, Dickson, Tenn. When completed, structure will be result of planning and design program of Design/Build Concepts, Atlanta.

This model of a new financial institution currently under construction in Metairie, La. typifies the extensive experience of HBE Bank Facilities in planning, designing and building.

We looked at this project as a direct catalyst for more business for the bank, creating an overall appearance to enhance community image while designing a highly functional facility which will directly affect customer satisfaction with service.

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tages from being only 40 miles by car from Nashville via Interstate 40, thus increasing the potential market from just its primary service area.

In discussing this part of the study, Concepts points out that although financial communities' markets are not necessarily of the transient variety, high-identity location and easy access are assets to a bank's location. According to Concepts, the city of Dickson is fairly accessible to the majority of its general service area (GSA), and residents in the county and surrounding towns can easily shop, bank and conduct their business affairs in Dickson.

The economic profile was another facet of the Concepts study, which looked at per-capita personal income, effective buying income and past and present trend analyses. Then, it projected these data into the future to find the bank's potential future market.

Concepts examined the deposits of each of the financial institutions in the entire GSA to establish respective historical growth trends not only of the deposit base, but market share. Results of this historical data were used to support projections for the planning period and future markets. When proof of a total potential market was established, based on data from the study, the specific future growth plan and market-share objective were formulated for First National.

Turning specifically to First National and future requirements for the planning period to 1992, Concepts gathered data on which to forecast deposits, assets and personnel so as to arrive at a conclusion for gross space requirements of the Main Office through the planning period.

"Such conclusions," says Mr. Domurat, who has 23 years' experience with financial facilities, "must be reached before a geographical location or specific site can be analyzed. The character and personality of the Main Office, or any facility for that matter, must be determined by market profile, anticipated volume, personnel forecasts, overall size and anticipated operating philosophy established by the bank's management. To arbitrarily or subjectively invest the bank's capital funds in fixed long-term assets without a sound planning process is like making the worst loan possible. We have developed an approach that plans from a business standpoint first and then designs a facility to meet the intended demand and the bank's objectives."

Based on results of data developed, Concepts was able to determine an asset and deposit objective for the planning period and a market-share target that was accepted by the bank's management in view of the potential profile. Since historical data have proved a valid relationship among deposits, assets and personnel required to support such volume, it was determined that the bank would need to plan for a total staff of from 148 to 163 people. It is interesting to note that while deposits increase approximately 10% per year on a national level, employees increase only slightly over half that amount, and projected ratios decline dramatically, according to Concepts' computer analyses.

"Planning on today's ratios can lead dangerously to overbuilding," warns Mr. Domurat.

Conclusions reached were that accepted ratios indicated that a range of between 29,000 and 35,000 gross square feet (an average of 32,000 square feet) was required for all Main Office functions necessary to handle the projected volume.

After establishing the market profile, the bank's placement in the market and the size of the new quarters, Concepts turned its attention to the bank's primary service area (PSA), the city of Dickson. It was divided into zones, north and south, and subdivided into 33 sectors. The sectors were created using rivers, streets and other physical barriers as boundaries. The firm says this method of subdivision provided a common denominator for rating north/south activity and additionally segmenting activity within the zones.

In developing prospective locations, Concepts studied direction of growth and future residences, employment, retail sales areas, traffic patterns, general building trends, accessibility, competition and impact of prospective branches.

After all material gathered was analyzed, the study showed clearly that First National should remain near its present location, with acquisition of another parcel of land. Therefore, a construction program, scheduled to be completed in the spring of 1982, is going on while the bank continues operating in its old quarters.

According to President Andrews, the bank feels confident it has made the right decision because it was based on a professional and specialized approach to the design of a financial facility, with emphasis on sound long-range planning and future personnel and anticipated market requirements.

Few Dramatic Changes

(Continued from page 42)

of tellers who operate those facilities and are asking for designs that would enable tellers to do other work while they wait for a car to arrive.

In some cases, he said, bankers are asking for drive-up ATMs. Access to these is somewhat difficult because the auto driver never seems to get close enough to operate the drive-up ATM properly from his car. But it is a service facility that will be asked for more freqently.

What should bankers do when they plan to build or remodel?, Mr. Keyes was asked. His answer was not all that surprising, although many bankers apparently do not take this step into consideration.

Don't buy the ground before consulting the building designer, he advised. Too often, he said, there are restrictions on a building site or physical conditions such as the cost of bringing in utilities or foundation problems that may make the already-purchased site too expensive on which to build.

Mr. Keyes recognized the need for secrecy in a bank's acquisition of property; but plan ahead, he advised. Get technical assistance first; plan your needs and then buy that property.

Furthermore, he said, once the banker sits down with the builder, he can outline his plans and hopes for the future, his growth prospects, growth prospects of the trade territory he serves, and then — and only then — can the builder make some reasonable recommendations in the building plan.

Every building program, too, he emphasized, must recognize that "time is money." A building program should proceed quickly, once data are gathered, analyzed, evaluated and converted into plans. Building and remodeling costs escalate daily. No firm, he argued, would recommend hurrying the planning stages, but all unnecessary delays and procrastinations should be kept to a minimum. ● ●

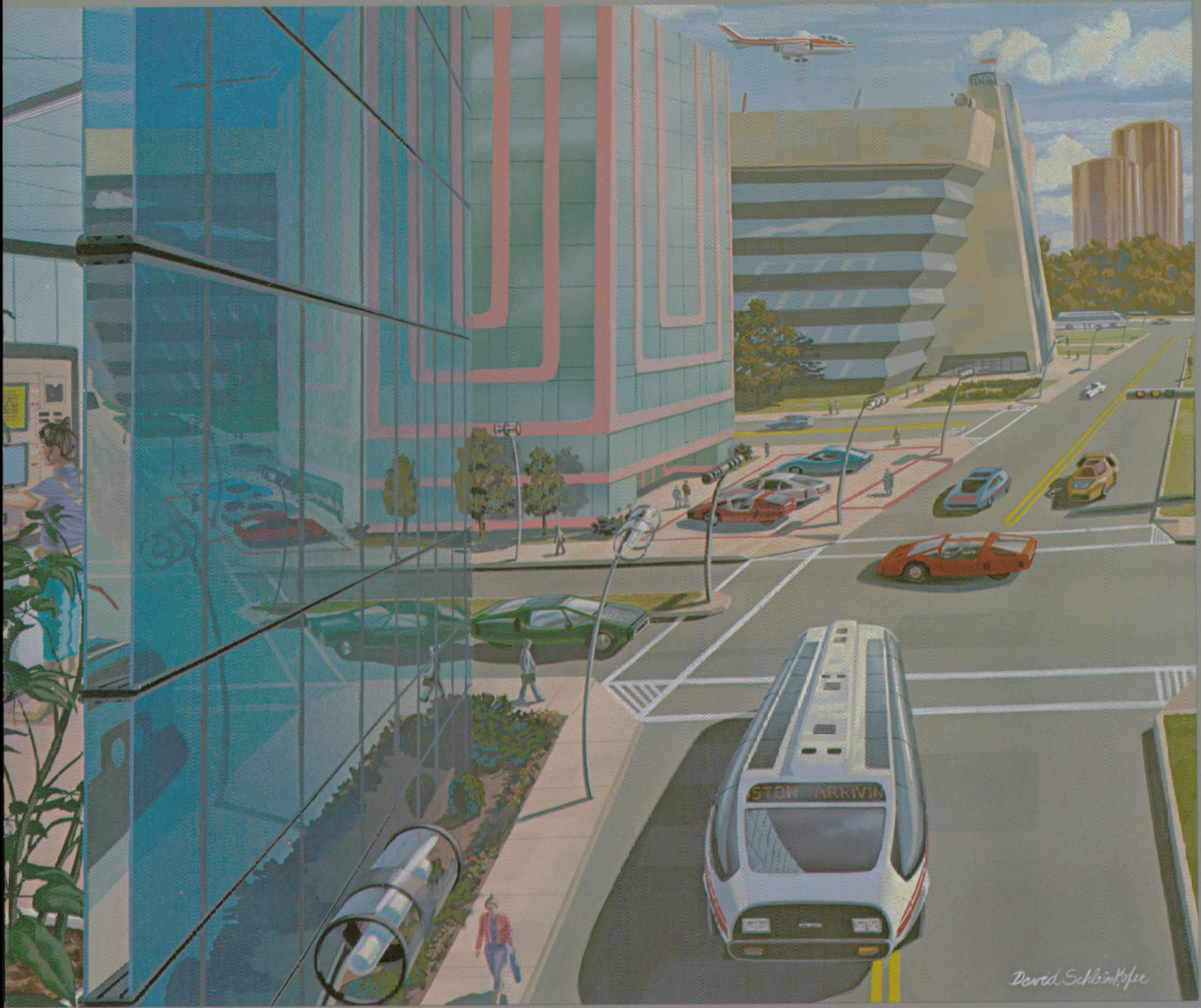
THE UNRELENTING WORLD OF TOMORROW'S ELECTRONIC BANKING.

Recent breakthroughs in computer science and fiber optics have sparked a revolution in humanity's ability to send, receive, and store information. With this in mind, it's inevitable that correspondent banking will be revolutionized as well, providing both respondents and correspondents with the ability to do business on a vastly faster, more comprehensive scale.

What began as a simple system of barter has evolved into a highly complex and demanding business. In the last two decades alone, technical advancements have dramatically changed the way funds are kept, moved, and used.

In order to meet the stringent requirements of an increasingly sophisticated marketplace, financial institutions cannot rely on outdated services. Instead, they must strive to offer their customers the latest and the fastest.

But before financial institutions


STON ARRIVIN

Exterior of Jacksonville (Ala.) State features early American design. Wing at r. houses office of Pres. David W. Pearson.

Bank Takes Advantage of Special 'Breaks' To Construct 'Bargain' Structure

WHEN A NEW bank building comes in at half the cost estimated by a construction-firm bidder, it's obvious that things went right for that bank. In fact, many things went right, according to David W. Pearson, president, Jacksonville (Ala.) State.

And three years after moving into its new quarters, Mr. Pearson appreciates his bank's "bargain" more and more.

Admittedly, the procedures followed in design and construction of Jacksonville State's building were somewhat unusual, but they indicate the diversity of options a banker can draw on when engaging in a building project.

To begin with, Mr. Pearson contacted several architectural firms, asking them to run feasibility studies as to the best location for the facility. He agreed to pay each of the firms a fee for their work and stipulated that the bank would not be obligated to do further business with them, if it chose not to.

The architectural firms agreed to this stipulation and provided Mr. Pearson with estimated sizes and rough cost estimates for the structures they designed for the bank.

Through a process of elimination, Mr. Pearson narrowed the choice of architects down to one — Richard L. Bacon & Associates in Ste. Genevieve, Mo. Mr. Pearson contacted Mr. Bacon after seeing his advertisement in MID-CONTINENT BANKER.

"Since we are a small home-owned, local-grown bank," Mr. Pearson says, "we enjoyed working with a firm that was agreeable to working with us under the guidelines that we would lay down."

Interior of Jacksonville (Ala.) State features attractive tellers' line and new-accounts desk. Total floor space in two-story structure is 11,500 square feet.

Next came another somewhat unorthodox move: Mr. Pearson said he decided that the bank wouldn't need the services of a construction firm because "quality craftsmen who could follow instructions" were available locally. The bank hired a foreman who provided the workmen and subcontractors necessary to get the job done. This arrangement gave the bank great latitude in working with its customers who were in a position to supply materials and expertise for the construction job, Mr. Pearson says.

"As is typical with most 'do-it-yourself artists,' at the time we decided to proceed with our building, we wanted the plans and specs yesterday," Mr. Pearson says. The Bacon firm provided the bank with partial plans so that construction could proceed while final plans were being drawn.

The entire arrangement — especially the use of local contractors — added immensely to the reception the bank received within the community for its new building, Mr. Pearson says.

The building is of early American design, with 6,450 square feet of space on the first floor and a second story of 5,000 square feet. The second story wasn't completed at the time of construction, but now is finished.

"We were most pleased with the construction costs which were approx-

Charles E. Foret
Vice President
and Manager

Jus Help'n

Carroll Griffith
Vice President

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"C'est magnifique! Bon appétit!" say Master Chef 'Pierre' Foret and friend 'Antoine' Griffith shown above using just the right ingredients to help the folks at Bridge City, Louisiana serve the best Gumbo you ever tasted.

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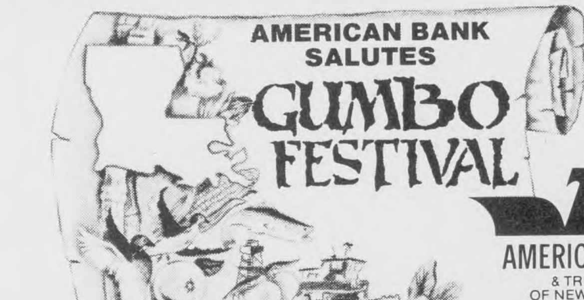
The Gumbo Festival had its origin in 1973 at Bridge City, La. and is celebrated annually in early October. Special Events: Creole Gumbo; Pageant Building Competition; Art Exhibit; Continuous Live Entertainment; Gumbo Cooking and Eating Contest; Baking Contest; Beautiful Child Contest; Pee-Wee Gumbo Bowl; Game Booths; Camper Site.



A salute to Festivities in Louisiana
(One in a series by the American Bank)

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imately half what one firm had quoted total construction and overhead costs would be," Mr. Pearson says. "Our total expenditures for the building and all furnishings was $416,000 (1978 prices). This figure also includes the cost of land and site preparation."

Architect Bacon says the Jacksonville project was one of a kind, made possible only because the client possessed the necessary background and skills to make the project successful.

He says that it's important for an architectural firm to be flexible in meeting the needs of clients, especially in this time of economic turmoil.

It's important for any bank building project to realize as many cost savings as possible, and it's up to the designer to build such savings into his plans.

Mr. Bacon says banks can realize cost savings in the following three ways:

- Make sure the architect designs the building to fit the building site and the work-flow requirements of the bank. In this way, the design provides for only that which is required and there is no danger of "overdesigning" plans, which can occur if a standard plan is forced to fit the bank's requirements.

"This phase also includes the interior-designing portion of the project," Mr. Bacon says, "whether it be a completely new project or a remodeling needing to coordinate with existing interiors." It's necessary for a designer to present what he thinks best fits a bank's needs and then be open to suggestions bankers may have before a project is finalized.

- It's important that the architect/engineer provide detailed working drawings and specs, with which competitive bids can be solicited from qualified contractors. With complete details at hand, bidders can be confident when making their bids, which enables them to be most competitive.

- During the construction phase, the architect/engineer should act as the bank's representative in checking shop drawings and observing the construction.

The architect should keep in mind that his supervision of the project should permit the banker to be free to function as a banker, not as a construction specialist. The architect also should be prepared to be available beyond the move-in date and to coordinate any adjustments that may be necessary to make the building as functional as possible. • •


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Apparel Suppliers Offer Varied Fare For Bank Customers

New Colors, Fabrics, Designs Featured in 1982 Lines

THE OUTFITS illustrated on the opposite page show the variety of career apparel now on the market for financial institutions interested in outfitting their personnel.

The career apparel division of the National Association of Uniform Manufacturers estimates that about three million people are outfitted in career apparel in the U. S. today. Eleven years ago, the figure stood at only 250,000. The annual dollar volume of the industry is growing at a steady rate and is projected to be close to $750 million by the end of this decade.

Trends in the financial-institution area of career apparel indicate that institutions that began outfitting only employees that were in contact with customers now are expanding their programs to include behind-the-scenes personnel. This has resulted in organizations previously outfitting less than 100 personnel doubling the number of people outfitted.

Some banks employing charge-card sales representatives who call on potential clients and existing accounts are dressing their personnel in outfits that pick up the colors of the charge cards they promote.

Some banks are arranging for maternity career apparel in order to permit pregnant employees remain on the job longer prior to giving birth. In most cases, career apparel suppliers provide extra material when an order is filled so any employees becoming pregnant can have maternity career apparel made locally.

More financial institutions with tight apparel budgets are opting for an apparel look without having complete outfits. Ties and scarves are used that bear the colors and, often, the logos of the sponsoring institution. These items often are worn at meetings and special events to identify employees with the bank or thrift.

Career apparel is seen by firms as a tangible fringe benefit for both employer and employee.

Benefits for employees include cutting the cost of working wardrobes,

(Continued on page 57)

New Career Apparel Outfits Herald End of Building Project At Chicago's Lake Shore Bank

CAREER APPAREL is practically synonymous with a new building — or a remodeling job — or perhaps both!

The people at Lake Shore National, Chicago, have outfitted the bank's 40 tellers with brand new outfits — the second time the bank has gone into career apparel. The occasion sparking the new outfits was two-fold: The bank has just completed a redecorating and expansion project and it recently acquired Upper Avenue Bank, located a few blocks down the street — which happens to be Michigan Boulevard on Chicago's Magnificent Mile.

The new apparel made its first appearance in July, actually a couple of months before construction activity was completed. The new outfits served to beautify the area during construction, says Robert A. Kubicek, vice president/marketing. Customers were so busy eying the new apparel that they tended to overlook any inconvenience caused by construction activity!

Each teller received 10 items of clothing, including a blazer, blouses, vests, a jumper and choice of slacks or skirt. The outfits were manufactured by G. Carlyle Struven, Inc., of Chicago in texturized woven fabric of polyester in a redwood, marsala and white color combination.

According to Liz Thorpe of Struven, the material is ideal for the bank. It's washable, lightweight and crisp. The colors are exclusive to the bank in the downtown Chicago area and the bank paid for three-quarters of the cost, with employees picking up the rest. As soon as the employee pays her portion of the cost, the outfits belong to her.

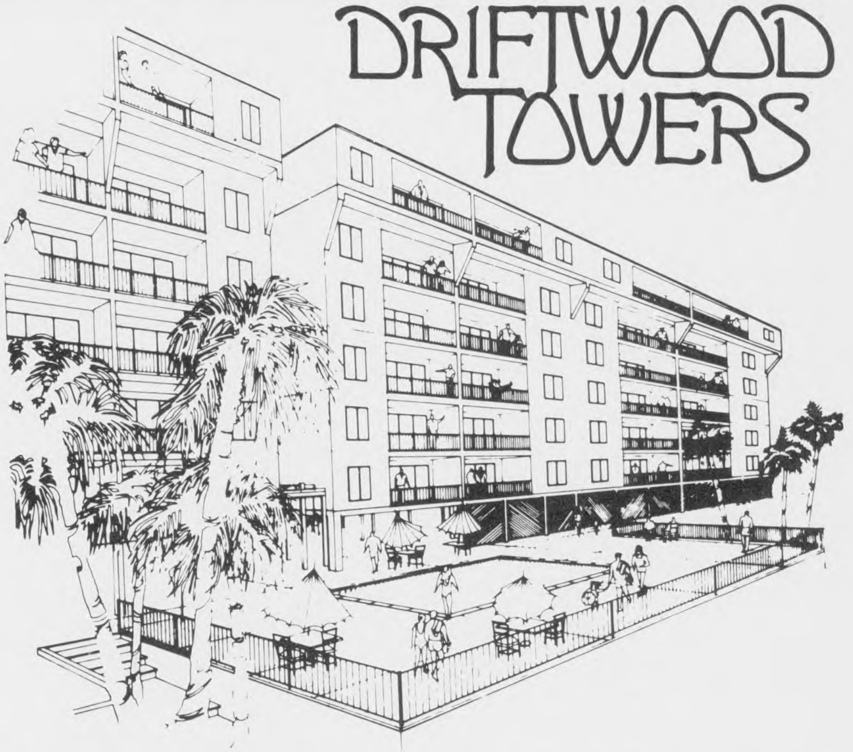
The 16 customer-contact employees working at Upper Avenue's

(Continued on page 57)

Tellers at Lake Shore Nat'l, Chicago, model new outfits in front of bank on Michigan Boulevard. At l. is Lynda C. Gherardini, a.v.p./career apparel coordinator. Outfits were supplied by G. Carlyle Struven, Inc., Chicago apparel manufacturer.

APPEALING

DRIFTWOOD TOWERS



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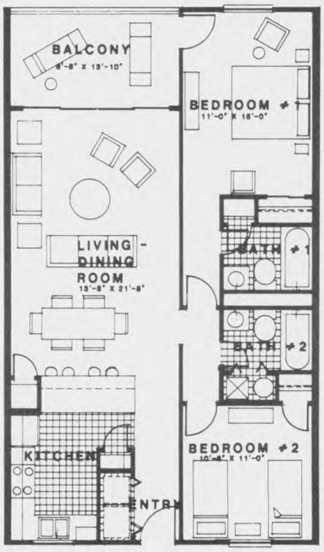

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Planning RMA Conference

Making plans for the 67th annual fall conference of Robert Morris Associates November 15-18 in New Orleans are Henry G. McCall (l.), s.v.p., First Nat'l Bank of Commerce, New Orleans, and M. G. Sanchez, pres., First Bankers Corp. of Forida, Pompano Beach. They are co-chairmen of the conference.

Apparel Outfits

(Continued from page 55)

office in the John Hancock Center will be outfitted shortly in similar garments with the same color scheme. The colors were chosen to harmonize with the new decor of the bank, which is eggplant and gray at Lake Shore National and beige-grey at Upper Avenue.

Lake Shore National's management has proof that career apparel is appreciated by customers. A portion of a recent customer survey was devoted to apparel. "Customer reaction is excellent," says Lynda C. Gherardini, assistant vice president. The new apparel design and colors offer Lake Shore tellers options: They can mix and match their apparel into any number of different, but coordinated outfits. ● ●

Apparel Suppliers

(Continued from page 55)

solving problems of what to wear to work and eliminating dress competition among employees.

Benefits for employers include a more professional appearance on the job, the presentation of a unified corporate image to the public, solving of dress codes for employees, an aid in recruiting new employees and reduction of employee turnover and absenteeism.

Since its inception, the traditional career apparel wardrobe for women has included skirts, blouses, pants, blazers, vest and scarves. These still are the basic components but some manufacturers have added dresses to their lines. Sweaters are becoming common items in career apparel outfits for both men and women.

Polyester/wool blends are used for highly tailored business attire, while washable blends of 85% polyester and 15% wool have recently been introduced to provide high performance at reasonable cost.

Warp and raschel knits of 100% polyester play an important role in popular-priced career apparel that requires easy maintenance and a long wear life. These knits present a crisp tailored look.

Fashion colors used in career apparel are primarily earth tones. Rust, brown, beige, blue, gray and forest green all are popular at this time. ● ●

Storage Room Is Converted To Complex For Customers

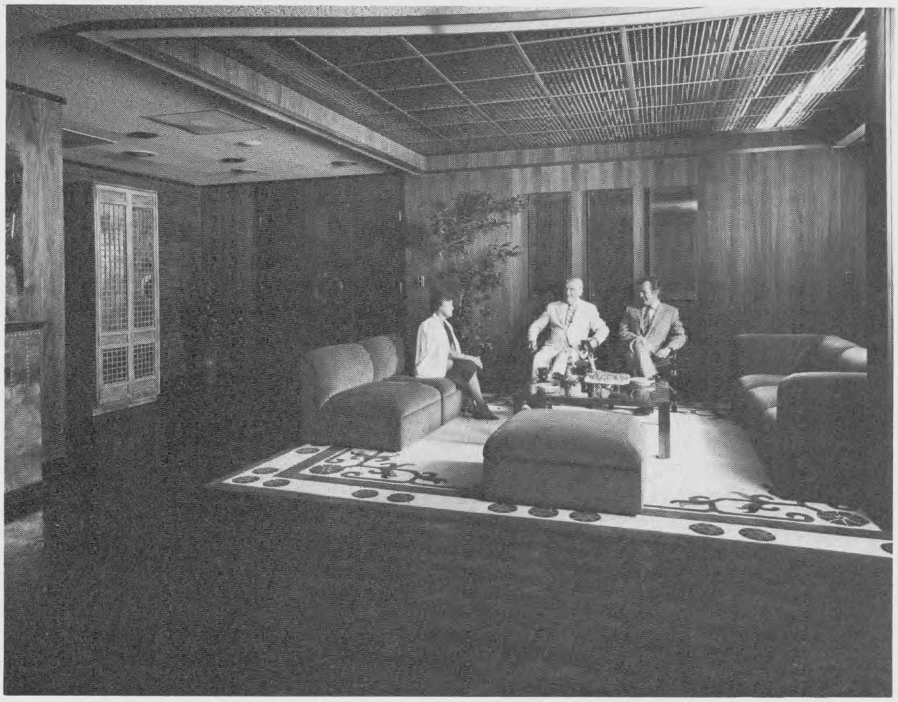
WHAT WAS formerly a storage area on the fifth floor of Texarkana (Tex.) National now is a strikingly attractive directors' room with adjacent dining and reception areas.

Purpose of the conversion was to create a place in the bank for the acquisition and retention of high-balance customers. The composition of the bank's deposit base follows the "80-20" rule where 20% of the bank's depositors represent 80% of the bank's balances. The new complex gives the bank a facility where bank officers can entertain and strengthen relationships with this special category of customer.

The directors' room seats 30 and can function as a center for training, roundtable discussions, officer meetings and correspondent seminars. The room is equipped for audio-visual presentations.

The dining room can accommodate 28 persons and the adjacent kitchen is managed by two retired women who prepare business luncheons and special meals at a cost of less than $6 per person.

The entire area comprises 2,900 square feet and is open daily to bank officers wishing to meet with customers and prospects in a relaxed and private atmosphere. Business luncheons currently are being held bimonthly in



TOP: Directors' room seats 30 in green suede upholstered chairs at Texarkana (Tex.), Nat'l. Paneling at center of wall to l. opens to reveal blackboard and visual aids.

MIDDLE: Lounge/reception area of Texarkana (Tex.) Nat'l's entertainment complex features parquet floor, walnut paneling, grid ceiling, antiques from Asian countries. Seated, from l. are Jo Link, bank loan processing officer; B. Stan Cook, ch., Texarkana Nat'l Bancshares; and H. H. Wommack Jr., ch., Twin City Bank, Texarkana.

BOTTOM: Portion of dining room at Texarkana (Tex.) Nat'l that accommodates 28 diners. Special table in background seats eight and is positioned under circular ceiling light fixture and is backed by curved paneled wall. Wall covering is grass cloth and brass accessories accentuate table settings. Porcelain plates on walls date to 1700s. Colors are forest green, rust and beige.

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addition to a regularly scheduled directors' luncheon on the last Wednesday of each month.

Future plans call for Monday night football TV gatherings and receptions in conjunction with performances at Texarkana's Perot Theater. The bank also plans to conduct a series of financial forums for women at the facility next year.

Decor is described as "male oriental" by Ann Sperry of the bank's staff. Antiques from Asian nations decorate the facility and the color scheme evolves around earth tones. From concept to completion, the conversion took about eight months. ● ●

Herbert V. Prochnow Retires As Banking School Director

AN ERA came to an end September 15, when Herbert V. Prochnow retired as director of the Herbert V. Prochnow Graduate School of Banking at the University of Wisconsin/Madison. He had held that post for the entire 37 years of operation of the school, which he co-founded in 1945.

A resolution honoring Dr. Prochnow was presented during the school's 1981 commencement in August by Robert C. Nelson, executive vice president, Indiana Bankers Association.

The resolution says, in part, that the school owes much of its success, reputation and influence to Dr. Prochnow. It acknowledges that as director, he guided the school's development, helped select and train its faculty and taught every student who has been graduated from the school, sponsored by the Central States Conference of Bankers Associations.

Dr. Prochnow was honored previously when, last December, the school's board authorized changing the name of the school to the Herbert V. Prochnow Graduate School of Banking. It formerly was known as the Graduate School of Banking.

Dr. Herbert V. Prochnow (2nd from l.) receives honor resolution from Robert C. Nelson (2nd from r.), e.v.p., Indiana Bankers Association, marking Dr. Prochnow's 37 years as director of school, which he co-founded. He retired from post September 15 and was honored at school's 1981 commencement in August. Also pictured are Richard I. Doolittle (l.), school administrator, and Bryan Koontz, exec. dir., Wisconsin Bankers Association.

New Board Officers

Truman L. Jeffers, e.v.p., Minnesota Bankers Assn., was elected ch./board of trustees, Herbert V. Prochnow Graduate School of Banking at the University of Wisconsin/Madison at the board's annual meeting August 21. He succeeds Robert C. Nelson, e.v.p., Indiana Bankers Assn.

Other new officers are: v. ch., Bryan K. Koontz, exec. dir., Wisconsin Bankers Assn., and treas., Roger M. Beverage, e.v.p., Nebraska Bankers Assn.

The school is sponsored by the Central States Conference of Bankers Associations.

During his long career, Dr. Prochnow has been a banker, author, editor and lecturer and has been in government service. He joined Chicago's First National in 1929 and held several posts, including head of the correspondent division, before becoming president in 1962. After retiring in 1968, he was made an honorary director.

Dr. Prochnow was deputy under secretary of state for economic affairs in the Eisenhower Administration and was counselor to various foreign governments. He was founder and president of the International Monetary Conference and a financial columnist for the Chicago Sunday *Tribune* from 1968-70.

Author and editor of numerous books considered standards of banking literature, this summer Dr. Prochnow edited "Bank Credit," an in-depth study of credit and loan practices authored by 34 outstanding banking authorities. He had also edited "The Changing World of Banking Dilemmas Facing the Nation," a 1979 commentary of vital issues affecting this country's future.

Dr. Prochnow, a lecturer, has compiled many handbooks for public speakers and toastmasters. With his son, Herbert Jr., he has written several books on the topic of public speaking.

He holds a Ph.D. degree from Northwestern University, Evanston, Ill., and an M.S. degree from the University of Wisconsin/Madison. ● ●

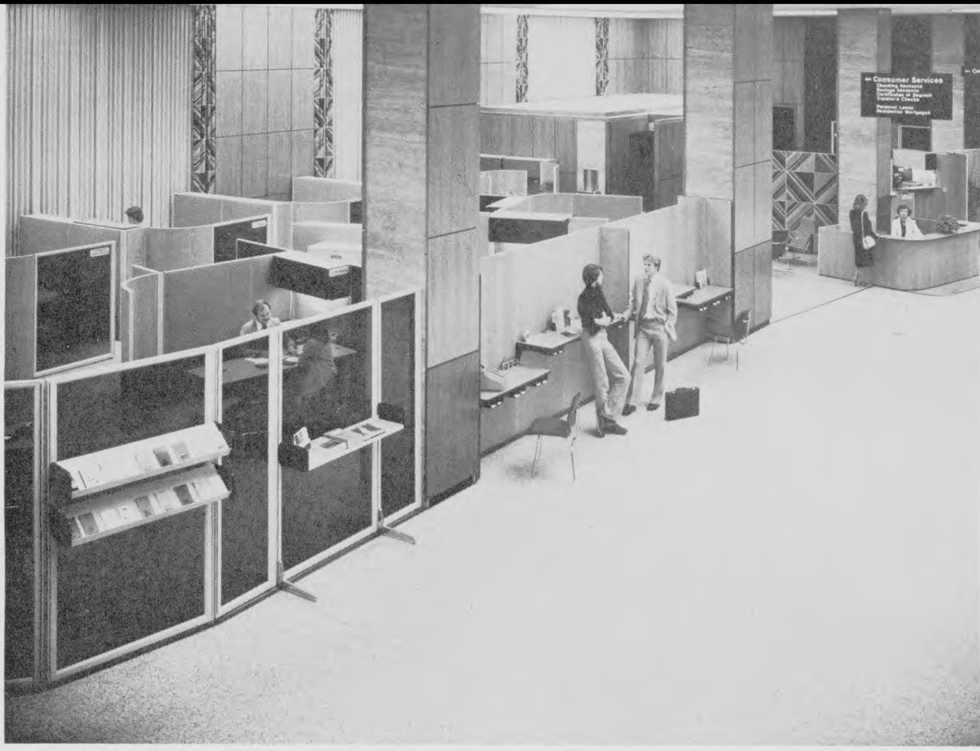
Bank-Credit Authorities Contribute to Book On Borrowing/Lending

Thirty-four of the nation's leading bank-credit authorities have been brought together by Herbert V. Prochnow to examine and evaluate the art of borrowing and lending money. What they have to say is revealed in a book called *Bank Credit*, sponsored by the Herbert V. Prochnow Graduate School of Banking at the University of Wisconsin/Madison and edited by Mr. Prochnow. He retired September 15 after 37 years as the school's director.

Contributors to the book discuss recent changes in types of bank loans and in the relative significance of different kinds of loans, as well as other major credit challenges facing bankers.

Throughout *Bank Credit*, the authors use concrete examples, charts, tables and statistics to dramatize and demonstrate their points. Pertinent subjects covered include consumer credit, bankers' acceptances and letters of credit, term loans, equipment leasing, loan-portfolio management, legal aspects of bank loans, futures markets in agricultural lending, unaudited financial statements, loan-loss reserves, credit problems, workouts and recoveries. In addition, loans to foreign governments, banks, companies and multinational corporations are examined, along with syndication of foreign loans.

Contributing authors include: William A. Adkins Jr., senior vice president, First National, Topeka; William J. Korsvik, retired senior vice president, worldwide banking department, First National, Chicago; and Jerry H. Pearson, vice president, Harris Trust, Chicago. All are faculty members of the Prochnow school.



TOP LEFT: Open planning on retail floor of Nat'l Bank of Jackson, Mich., was achieved without denying privacy to lending personnel and their customers.

CENTER: Employees of Nat'l Bank of Jackson, as result of redesign program, enjoy acoustical conditioners (round white ball), under-shelf lighting and ample work surfaces. Action Office panels created by Herman Miller, Inc., not only support components, but provide visual and acoustical privacy.

BOTTOM LEFT AND RIGHT: Bank's executive area is described as "attractive, but not lavish." Says Robert Kendall, s.v.p./cash., "It was designed to look like what it is — a place where work is accomplished."

Open-Plan System Throughout Bank Creates Good Image

BANKS, perhaps more than other business organizations, have been aware of the importance of their physical facilities. They've long recognized that a well-planned working environment can result in economic benefits, including increased productivity. And, as service-oriented organizations, they've learned the facility's value in creating a positive image.

These and other benefits were achieved by the redesign of National Bank of Jackson, Mich., a middle-sized bank located in a small town. Among its peer group of $100 million to $499 million, it had the second highest return on assets in the state, at 1.46%, for 1980.

When space problems and reorganization of the consumer services area dictated a redesign of the bank's interior, management was determined that the new interior should also reflect the image of an open, efficient and profitably run institution.

Says Senior Vice President and Cashier Robert Kendall, who had the main responsibility for the renovation project, "In the banking business you rely on financial information, but you

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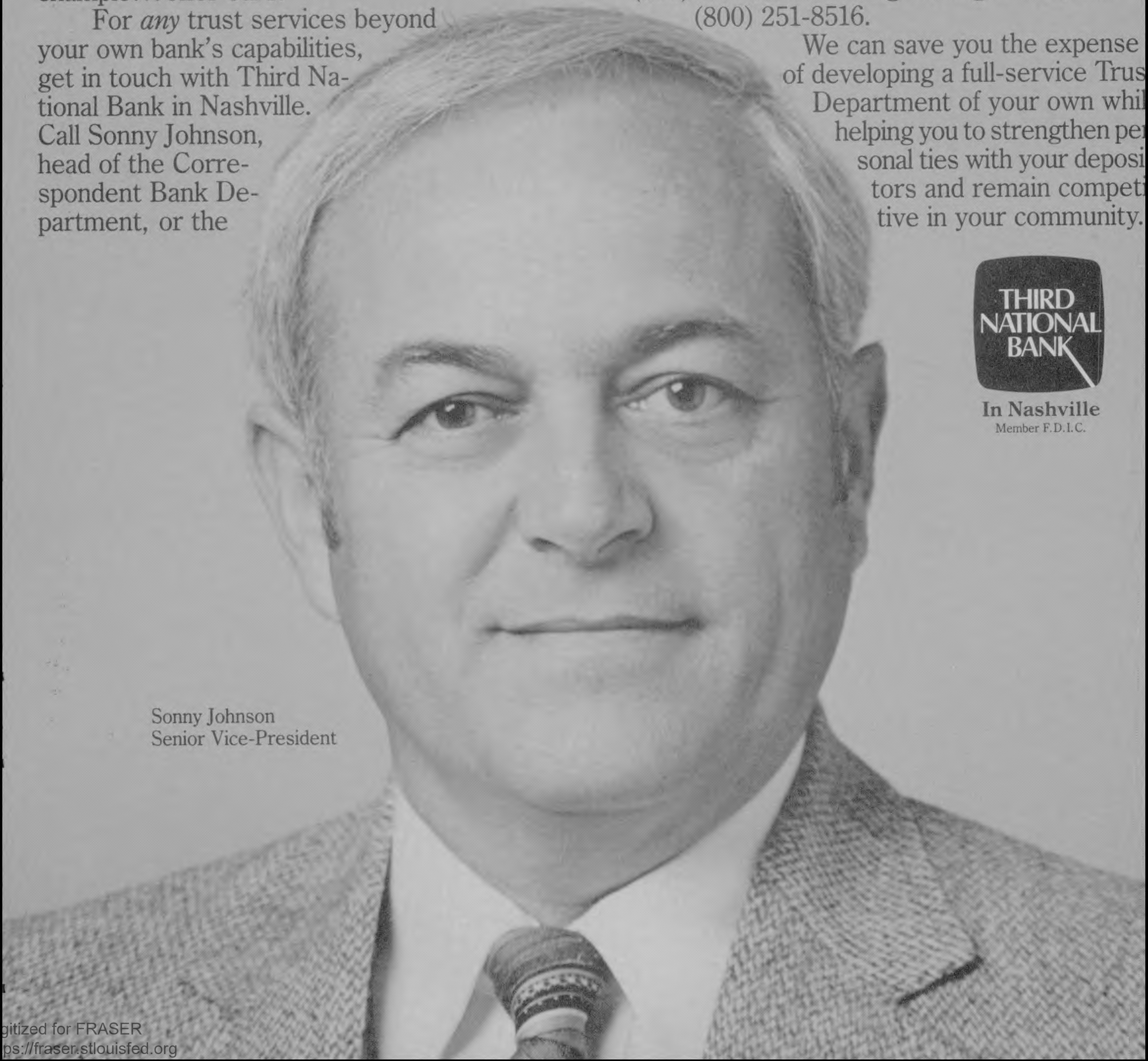

Sonny Johnson
Senior Vice-President

also learn to look at other things. As a banker, one of the things you look at in a business is: 'How do they run their place? Does it *look* as though they're efficient? Does it *look* as though they know what they're doing?' This seems like a little detail, but it can give you the key to their attitude, the key to how well they have control over things."

Mr. Kendall explains, "Often as a bank grows larger, it loses some of its customer orientation. As one grows larger, one has to compensate for this loss of personal contact. Our refurbishing was part of this effort. We looked at it as an investment from a marketing standpoint.

An essential part of the processing area's redesign was transferring utilities from an under-floor system to an overhead electrical and phone grid.

"We had recently reorganized our different consumer-services functions. Areas such as new accounts, personal loans and residential mortgages were centralized into one consumer service department, which could handle any kind of consumer request. We wanted to use the facility to bring people responsible for these different functions together and to make it easier for the customer to find people he needs to see."

It was important for the bank to have a bright, open feeling. Mr. Kendall considers this essential for establishing a good rapport with clients. "We wanted to maintain an open atmosphere. In a banking institution, personal contact is vital. When you walk into a bank, you want to be recognized. You want to be able to walk in and wave to the manager. On the other hand, a certain degree of privacy is required for the personal nature of some customer-service transactions."

To accomplish these aims, the bank turned to open planning. Instead of fixed, floor-to-ceiling walls, this approach to office design uses movable panels of varying heights, together with components as work surfaces, storage bins, files, etc. After a careful analysis and comparison of several manufacturers' systems, Mr. Kendall proposed that the directors approve the purchase from the company that first introduced the systems approach of panels and modular components in 1968.

"There were a lot of considerations," he says. "In the banking business you rely on financial information, a company's financial stability and its management style. We visited the Herman Miller facility and were impressed. Not only did it appear to be the leader in its ability to develop functional products, but we were convinced that Herman Miller has an organization commitment to make future equipment compatible with its previous designs. We knew that today's purchases would not be made obsolete by tomorrow's creations."

The banking floor was entirely redesigned with the firm's Action Office system. In that respect, National Bank of Jackson became a bellwether institution. For, while banks were among the first to recognize the economic advantages of this once-revolutionary approach to office design, it was used mostly in the operations department and seldom appeared in areas that had heavy customer involvement. National Bank of Jackson, among other pioneer banks, shows that the open plan works just as well for the banking floor as in behind-the-scenes departments.

On the main floor, traffic flow is directed by a reception and waiting station located near the entrance and a sign plaque pointing the way to various departments. A row of tinted glazed panels divides the consumer-service space from the teller-transaction area. It also provides each consumer lender with the privacy needed, while maintaining the desired open feeling.

Consumer lenders are given U-shaped stations with a free-standing pull-up round table and three comfortable chairs for customers. The thinking is that bank representatives assume less of an adversary posture when seated next to a client than when facing him across an imposing desk.

Management offices are located on the second and third floors along the perimeter walls. For the private nature of transactions in the trust department, completely enclosed offices were constructed of fabric-covered and glazed panels. A "super room," a plug-in relocatable room, was provided for larger confidential meetings.

For the processing areas, also on the second and third floors, the bank started out using its existing desks together with Action Office panels. The desks later were replaced with panel-hung work surfaces and storage units.

An essential part of the processing area's redesign was transferring utilities from an under-floor system to an overhead electrical and phone grid.

"Previously, outlets were never in the right place when you moved a desk," says Mr. Kendall.

Acoustical ceiling tile, along with fabric-covered panels and Action Office acoustical conditioners, help reduce noise in this heavy machine area.

Efficient use of space and the ability to easily rearrange work groups were basic requirements for all areas of the bank. The BankAmericard department, for example, has expanded and contracted, on the average of every six months. Similarly, six other departments have been changed — all with no downtime.

Says Mr. Kendall, "The system's flexibility has permitted us to make departmental changes as the work nature changes, the style changes and people change."

"We've tried to keep our institution fairly non-rank conscious. Our president has essentially the same office equipment as a consumer lender."

Another advantage, he adds, is that departmental personnel have been able to do their own space planning without outside help. They simply check any changes with the bank's own facility manager.

Problems of status are avoided by making equipment specifications relevant to functional needs. "We've tried to keep our institution fairly non-rank conscious," says Mr. Kendall. "Our president has essentially the same office equipment as a lender."

This attitude prevails throughout the entire bank. "Attractive but not lavish," is how Mr. Kendall describes it. "We don't want to gold-plate anything. Profit-oriented banks are getting out of the monument-building business and more into establishing a savings and service-oriented image."

This determination not to "gold-plate" anything has given the bank an atmosphere of efficiency and activity. The system's flexibility has allowed employees to adapt their work stations to suit their individual job functions and personal work habits. There also are fewer visual distractions with work stations laid out so that people no longer have to sit facing an entrance.

"I'm sure there's greater efficiency because there are fewer visual distractions," says Mr. Kendall.

Use of the open-plan system throughout the entire facility has given National Bank of Jackson an enormous potential for growth and change — and tangible evidence of its reputation for utilizing assets. ● ●

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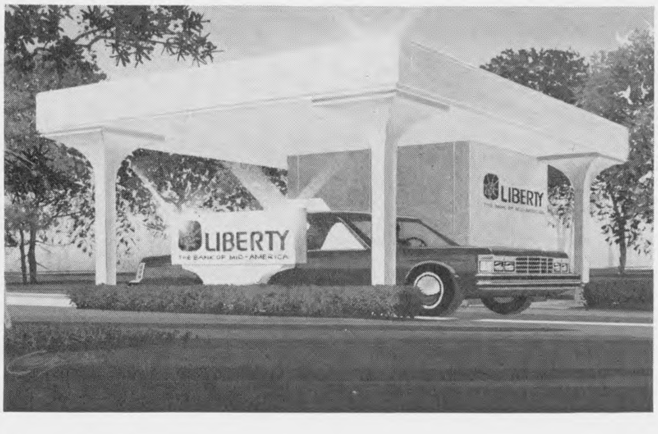
Walk-in ATM facility provides 24-hour service to customers of First Nat'l, Chickasha, Okla. Both photos for this article were taken by Creative Resources Corp., Oklahoma City.

Some Important Things to Consider When Buying an ATM Facility

By James A. Pickel, President, Vector Specialized Construction, Inc., Oklahoma City

THE DEVELOPMENT of a successful ATM program depends greatly on the equipment used. The equipment used depends greatly on the vendors selected. And the vendors selected depend greatly on the banker's knowledge of what he needs and how he plans to use the ATM.

Sound logical? It is. Purchasing the right equipment is essential to the efficient operation of an ATM program. So it's only logical that a banker have a clear understanding of exactly what equipment is needed, what purpose it will serve and what amount of money can be spent on it. This holds true no matter what equipment is being investigated. This is especially true when a banker is looking for new equipment to expand or enhance an existing ATM program.



This all-steel modular drive-through ATM facility will be opened in the Oklahoma City area this fall by Liberty Nat'l.

In addition to being president, Vector Specialized Construction, Inc., a specialty company manufacturing modular facilities, the author is president, The Vector Groupe, a marketing/management firm, and business manager, Elliott & Associates, Architects, specialists in designing financial facilities.

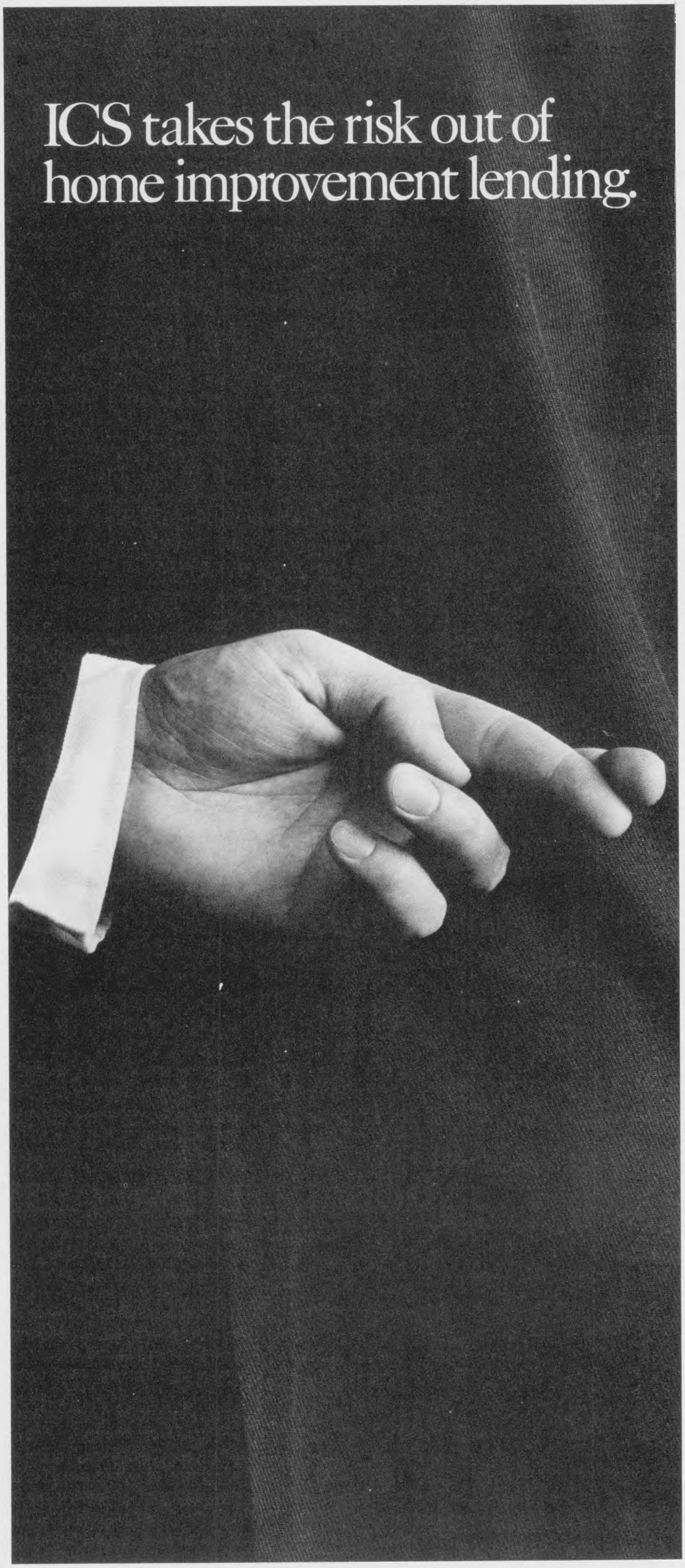
ATM facilities probably are the greatest single commitment that can be made toward the enchancement of a total ATM program. They literally are facilities in which a bank houses its ATMs and all support equipment. ATM facilities can be extremely complex since (1) they must be adaptable for both on-premise and off-premise use; (2) they must be comfortable for customers and bank personnel; (3) they must support the efficient operation and the extreme weight of the equipment; (4) they must meet the stringent codes of each location in which an ATM is placed; and (5) they must incorporate esthetic appeal with solid construction. Obviously, ATM facilities must be multifunctional.

They are not an object of a bank's overall strategies, but they are a means to the fulfillment of the bank's ATM program goals. They become necessary when a banker wants to take an ATM program out into the marketplace. Thus, their primary purpose is to provide the enclosure from which the bank will offer its ATM services.

The type of ATM facility a bank needs depends on the location chosen for it. If the location already provides an enclosed environment; i.e., within the bank's lobby, within a store or enclosed shopping center, or within an office complex, then the need for an ATM facility can be satisfied with a simple, open-faced kiosk.

If the location offers little or no protection, the need is for a larger, self-enclosed structure. Always remember that an ATM and related equipment must be protected, but the protection made available to customers is almost totally up to bank management. It pays to be extremely conscious of the proposed location and the protection it offers when selecting an appropriate ATM facility.

Deciding on the right ATM facility for a given location doesn't eliminate the need for further decisions. The location also may dictate the need for a portable facility. These facilities — either kiosks or buildings — are capable of being relocated from one location to another. They become more important when the location is not



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owned by the institution or is questionable regarding results or longevity.

An advanced state of portability is offered by some technically oriented manufacturers. Their ATM facilities are referred to as "modular" units. These facilities offer all the advantages of portable facilities, but almost always are of sturdier construction and are installed more quickly than non-modular units. Further, they provide the advantage of allowing the bank to expand an ATM facility into a larger, broader-purposed structure, should the need arise. One thing to remember when determining which type of facility is right for the bank is that portable facilities are not always modular, but modular facilities always are portable.

Portable and modular facilities, by the nature of what they offer, typically are more expensive than on-site conventionally constructed facilities. But these higher front-end costs usually are negated by the fact that modular ATM facilities can be completed with little or no down time due to weather. However, conventionally built facilities afford the opportunity for bankers to work with existing or potential customers who are vendors, if a qualified modular vendor is not located in the bank's trade area.

Again, the location the bank intends to use should be the determining factor in choosing the type of facility from which the bank will offer its ATM services. To save money in the beginning by having a favorite local contractor build a permanent facility may cost the bank dearly if the location fails to meet objectives and it must be abandoned. Don't be led to think that any contractor can provide the bank with a portable facility just because he is told that's what the bank needs. It takes a great deal of technology and experience to deliver a truly portable facility, especially a modular unit.

Probably the most confusing thing to consider when shopping for ATM facilities is the additional services needed to complete a project. Since most companies offer only a stock building delivered to a site, what does the bank do about preparation of the site? What about utilities to operate the equipment, landscaping, parking, etc.?

Obviously, if the location requires only a kiosk, needs will be minimal. A qualified electrician can arrange for getting utilities to the site. If a kiosk supplier offers delivery and installation services with his product, there is little to worry about.

But if the location requires a more complex modular building, the needs will be much greater. And since a banker's expertise is in banking, the best choice would be to hire experienced contractors to handle the monumental headaches that can be involved in getting an ATM facility properly installed. Fortunately, some suppliers of ATM facilities provide site-preparation services with their products. Typically, they are experienced with these services and since they have control of both production and installation, usually can guarantee a particular delivery date. But don't assume that all suppliers have experience in installing modular ATM facilities just because they build them. It would be extremely wise to check with previous clients to make sure they can deliver on their promises.

If the location will permit conventional construction, a reputable general contractor should be able to handle construction needs. Although the ATM building probably will be much smaller than most conventionally constructed buildings, it should be entrusted to a competent contractor who realizes the complex functions the ATM building must serve. But remember, a conventional ATM building can't be relocated.

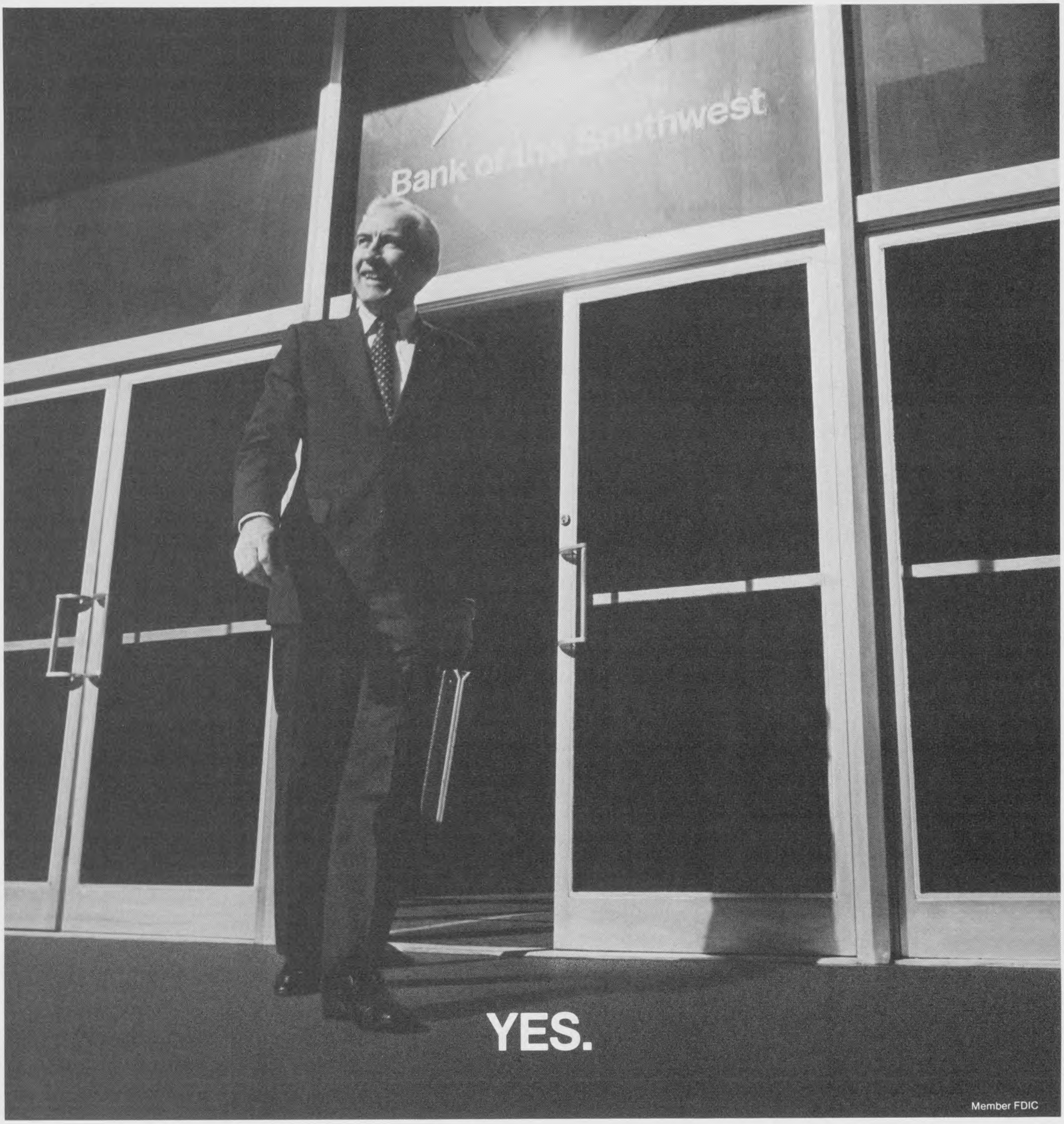
ATM facilities are not always designed to suit a particular bank's needs and tastes. While every supplier of modular facilities has stock items from which to choose, the choices may not be to the banker's liking. The design of the bank's ATM facilities isn't something to be taken lightly. It is as important as any other decision. The design selected will represent the image the banker wishes the bank to represent to its customers.

Thus, if the design choices investigated aren't satisfactory, find a capable firm to design a custom ATM facility. Whether it is an architect, an industrial designer, or just a creative person, the individual must be someone who understands the financial industry in addition to the ATM industry. Input at the design stage should enable the bank to own a handsome facility that is not only functional but extremely marketable.

Some suppliers of modular ATM facilities do much more than build portable structures. It now is possible to find vendors that offer design, production and installation services, all aimed at the needs of the ATM market. Progressive vendors refer to this total service package as "turnkey."

A turnkey package implies that one company will handle everything from design through installation of an ATM facility. This permits the banker to turn his attention to the other problem areas that usually exist when instituting an ATM program. Although the turnkey approach is appealing, it should not be entrusted to any vendor who offers it. The banker must check out the firm's previous experience to insure that it can, and has, adequately performed this complex service for others. The endeavor to design an ATM facility that's practical and appealing, to produce a modular facility that's sturdy and long-lasting and to install a finished module that's on schedule and completed without oversights is no job for a novice firm.

While I have touched on the most important aspects of ATM facilities, by no means have I addressed every detail necessary for consideration when shopping for these rather large pieces of equipment. A great deal of time must be expended to satisfy specific needs for adequate signage, reasonable delivery dates, proper selection of materials that will be appealing and low in maintenance. Adequate heating and air conditioning systems, security and surveillance systems also will be needed to provide comfort and protection for the bank and its customers. I would strongly suggest that these deci-



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sions be handled by the most competent people who can be found — the vendors with experienced, proved track records.

It's imperative that the banker be selective not only in the type of ATM facility chosen, but in the vendor chosen to provide the services. Based on knowing what is needed and how to plan to use the facility, the banker should be able to select the right vendor to provide the best equipment (ATM facilities included). The result will help insure the development of a successful ATM program for the financial institution. ● ●

Kiosk-Type ATM Installed In Supermarket by Bank

OKLAHOMA CITY — Personnel at one Safeway store now are relieved of a lot of check-cashing work thanks to the new ChecOKard Banking Center installed there by Liberty National. It was the first such center to go into operation in an agreement between Safeway Stores and the bank to set up banking centers in those stores.

The ChecOKard Banking Center is a newly designed kiosk-type ATM installation, using a Concord 770 machine, manufactured by Concord Computing Corp., Bedford, Mass.

ATM at Liberty Nat'l of Oklahoma City's new ChecOKard Banking Center in Safeway store is tried out. Kiosk-type installation stands out with bright gold and black striped semicircular header containing its name and semicircular desk area enclosing ATM. Kiosk manufacturer: Vector Specialized Construction, Inc., Oklahoma City.

A bright gold and black striped semicircular header announces CheckOKard Banking Center and tops a semicircular desk area enclosing the ATM. ChecOKard member banks' depositors can make deposits, withdrawals, transfers and balance inquiries on their checking and saving accounts.

The banking centers are on line with Liberty's tandem computer system serving all ChecOKard Banking centers and interchanging this fall with Exchequer and Transfund systems in Oklahoma. Holders of cards on those systems can use the CheckOKard Banking centers at the original Safeway store and other Safeways where similar centers are to be set up, according to Willis J. Wheat, Liberty executive vice president.

Customers using the supermarket kiosk centers for withdrawals receive receipts for the cash they want to withdraw and present them to the cashier at any checkout lane to be given their cash.

The program of supermarket expansion into Safeway Stores is another step in the CheckOKard System's program of making use of ChecOKard even more convenient than formerly for customers, explains Harvey J. Dowdy, vice president in charge of Liberty's ChecOKard banking program.

Bank's ATM Network Helps Cut Costs, Yet Provides Good Customer Service

OPERATIONS costs continue to soar. No banker needs to be reminded of that fact. A recent study by the Wharton Economic Model, IBM and U. S. Department of Labor Statistics projects a 3% annual growth in personnel, computes salary increases at 7% compounded annually and indicates fringe benefits will grow as much as 23% compounded annually.

Transportation costs also are a significant factor, along with land and construction costs, which have had annual inflation rates of between 10% and 20% the past several years.

In marked contrast, Commercial National, Kansas City, Kan., points out that automated teller machines in its Bankmatic ATM network cost about a third less now than they did six years ago.

The importance of ATMs is recognized by Commercial National by the fact that it offers membership in its Bankmatic network to correspondent banks. The bank believes these ATMs can help banks improve operational efficiency, provide better service and offset branching operations of other financial concerns. Bankmatic, according to Commercial National, has proved to be a practical, low-cost and efficient answer to these and other challenges facing banks today.

Pictured at one of Bankmatic ATM installations of Commercial Nat'l, Kansas City, Kan., are (l. to r.): Bernard J. Ruysser, pres.; Robert C. Carlton, a.v.p.; Robert W. Chenoweth, s.v.p., and Michael J. O'Leary, v.p./correspondent div.

Bankmatic, says the bank, was designed to help reduce costs, while producing maximum customer service and convenience and to help banks increase their market share, working as either proprietary or neutral units.

At present, Commercial National supports 22 ATMs, 13 of which are in Kansas and nine in the St. Louis area.

Bankmatic units are available in free-standing, in-wall or kiosk models and operate on-line through the IBM 3601 Finance Communications Controller. Bankmatic card-holders can make deposits and withdrawals, transfer funds, make loan payments, obtain account balances or receive cash advances 24 hours a day, every day of the year.

"Our Bankmatic program for correspondent banks is highly comprehensive," says Robert C. Carlton, Bankmatic task force chairman. "It includes liaison service with suppliers in selection of equipment, site analysis and recommendations, architectural plans for drive-up or free-standing models, interfacing ATM customer procedures, customer-notification and information data, total marketing support and a continuing consultation and

service support by our Bankmatic department. Participating banks may use the registered Bankmatic trademark and colors, and we will arrange for production of Bankmatic cards and other support materials, including mailers, notification forms and envelopes and a variety of promotional and advertising material."

Robert W. Chenoweth, Commercial National's senior vice president who spearheaded the Bankmatic system's development in 1975, points out that recent competitive trends, customer demand and regulatory activities have substantiated the bank's original premise, and Commercial National is fortunate in having a perfectly refined and wholly viable system that has been tested and proved at every performance level.

Mr. Chenoweth cites benefits to two groups. For consumers, he says, Bankmatic offers a new and money-saving convenience in being able to perform virtually every retail-banking function at their discretion, rather than having to bank only during normal banking hours. Commercial National's correspondent banks, he continues, have the advantage of a cost-efficient, proved system backed by a proficient technical and marketing program within a realistic pricing format. ● ●

Tax Act

(Continued from page 30)

Rehabilitating a certified historic structure is especially attractive as the bank will receive a credit for 25% of the expenditures with no corresponding reduction in basis. Therefore, if we assume a 50% effective tax rate, the bank will receive 75% of the cost of rehabilitating the structure as tax benefits over the life of the rehabilitation; 25% credit up front and 50% over the 15-year useful life as benefit from the write-off of the building under the Accelerated Cost Recovery System.

Banks should review their capital expansion programs in light of these new provisions. If consideration is being given to rehabilitating a building that is over 20 but less than 30 years old, efforts should be made to commence the physical work prior to January 1, 1982, to take advantage of the current 10% rehabilitation credit.

Banks considering construction of a new bank building or the establishment of a facility or branch should consider rehabilitating their existing building or an older building in a suitable location in order to obtain the 15%, 20%, or 25% credit. Every effort should be made to take advantage of the special credit for certified historic structures. ● ●

Glossary of EFT Terms Published by ABA

WASHINGTON, D. C. — After nearly two years of research, the ABA is making available a glossary of terms and uniform definitions commonly used by financial institutions for EFT and payment messages.

The glossary publication, entitled "Developing a More Efficient Funds Transfer Service: Phase 1 — A Common Language," represents the first phase of an evolving project that subsequently will affect funds transfer operations throughout the industry, according to John W. Coombs, vice president, Bank of America, San Francisco, chairman of the ABA's funds transfer terms and usage task force. The second phase of the project will propose conventions, based on identified data elements, that support mapping of wire transfers among the various network formats.

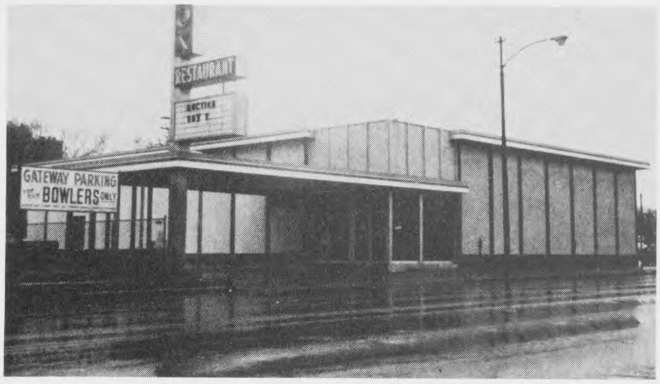
The 16-member task force was formed in recognition that in the past two decades the use of electronic means to move funds among banks and their customers has increased dramatically, in both numbers of transactions and value of funds. Daily dollar volume of corporate and correspondent payments has increased from about \$16 billion to more than \$600 billion per day in the past 20 years.

Copies of the publication are available at \$20 for ABA members and \$25 for nonmembers and can be ordered from the ABA's order processing department, 1120 Connecticut Avenue, N. W., Washington, DC 20036. The publication's catalog number is 064400.

First Nat'l, Belleville, Ill., Is Real Estate Tax Depository

First National, Belleville, Ill., has been designated as a depository for county real estate tax payments by the county collector of taxes.

Taxpayers can make their payments at any teller's window at the Main Bank or any facility. Payments also can be made by mail. Those paying by mail receive a postage-free envelope with their tax receipt to be used for making the second installment payment of taxes.



LEFT: This is what Austin Bank of Chicago's new home looked like before it was converted from its former function of restaurant. It also had seen service as series of small retail shops. RIGHT: This is bank building as it looks today. Remodeling project included gutting interior to provide area for bank functions. Exterior canopy at left in both pictures was retained and redesigned to become shelter for vehicles using bank's drive-up facility. Chicago architectural firm, Bernheim, Kahn & Lozano, won award for design of bank building.

Building Goes Through Two 'Life Cycles' Before Being Redesigned for Bank

A BUILDING that had been through two "life cycles" has become an attractive structure housing Austin Bank, located on Chicago's far west side.

The nearly 50-year-old masonry load-bearing building with wood-frame roof saw service first as a series of small retail shops, then later was expanded twice its original size to become a restaurant.

In discussing the decision to remake the building into a bank structure, President Robert Callery, says, "We wanted a design that was clean and modern — that would look like a bank and have the character of a bank. What we had to start with was an old, previously remodeled structure faced with concrete panels that had to be transformed into a modern structure. Using its imagination and creativity, BKL did an outstanding job in resolving our problem."

By BKL, Mr. Callery was referring to Bernheim, Kahn & Lozano, a Chicago architectural firm, which received a third-place design award for the project in the 1980 national competition sponsored by the Society of American Registered Architects.

"Our firm was charged with the task of creating a new identity for the 8,000-square-foot building within the confines of a limited budget and to disguise the strong restaurant character with a new image," says John Wong, project architect and designer. "As is so often the case with in-city buildings in older residential neighborhoods, the building was contiguous to sidewalks along one side and the front. This, of course, made it difficult for us to incorporate a kind of green area to enhance the beauty of a concrete and steel structure. Furthermore, in placing the interior functions, we had to study traffic-pattern ingress for parking and drive-in, as well as egress into a six-lane arterial street."

The architect's efforts in confronting and resolving these problems were noted in comments of the design awards' jury: "It was a sensitive solution to a tight, difficult city site and made excellent use of the existing structure in the redesign of that facility, giving it a brand new image. The openness of bringing the exterior to the interior on a close site was an excellent solution to the problem."

"Perhaps," says Mr. Callery, "the most striking aspect of the design concept is the openness and softness of the lobby, providing an atmosphere of elegant comfort. They (BKL) provided an artificial skylight to give the lobby an airy, light feeling. In fact, some of our depositors feel so comfortable that they consider it an extension of their homes, and we don't mind that one bit."

Mr. Wong points out that the original interior had to be gutted to incorporate completely different functions and traffic patterns.

"The steel Lally columns and steel roof joists that had been added for strength were re-framed, wood floor removed and reinforced concrete slabs added to support cash and safe deposit vaults, with a storage mezzanine above," he continues. "We allowed for future installation of one or more automatic teller machines, if needed. Even the basement was renovated to incorporate a personnel lounge and washroom facilities. It was a total rehab that resulted in no resemblance whatsoever to the building's former use.

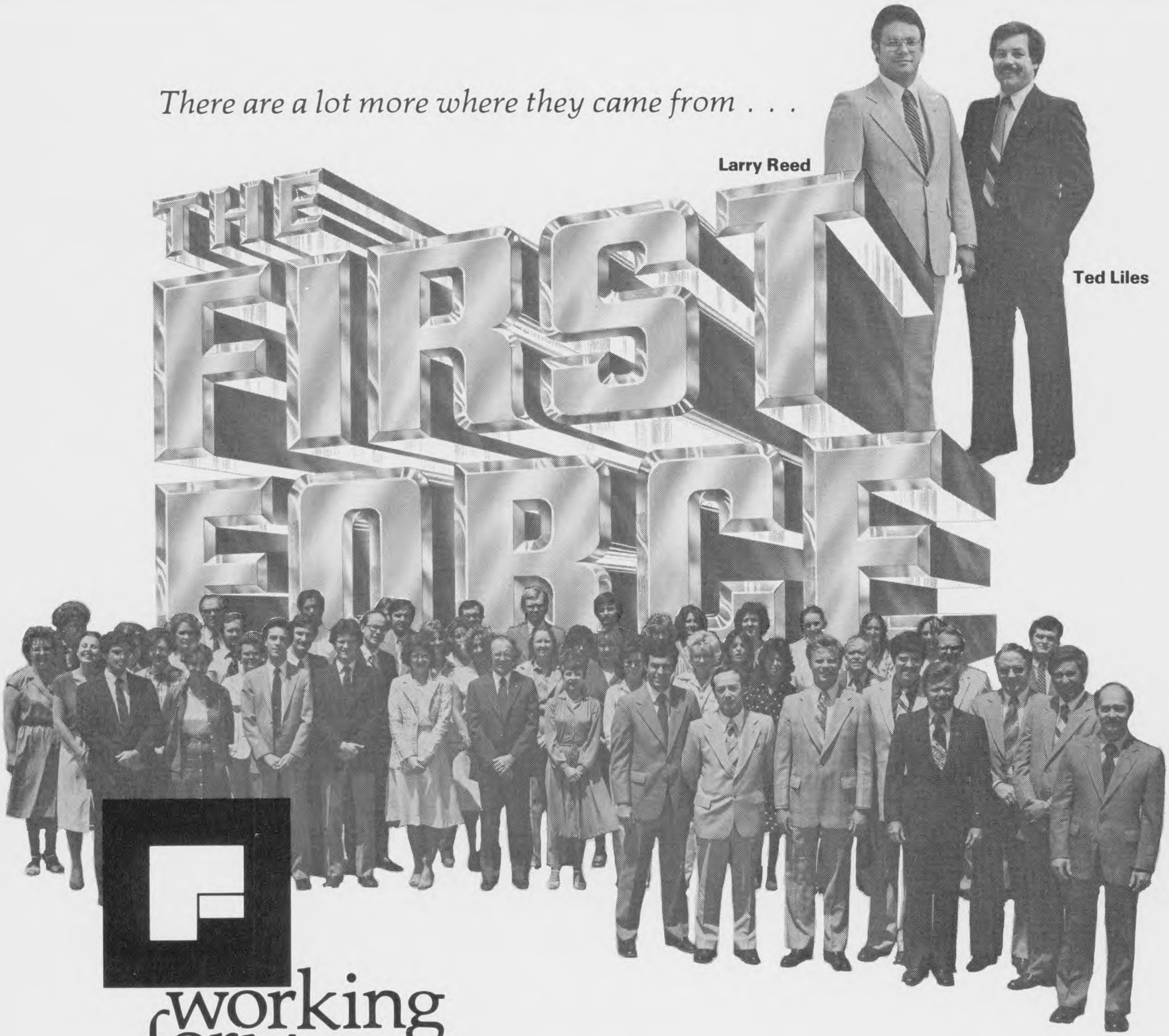
"The entire front of the building had to be reinforced and re-framed with new steel columns and beams to support the roof prior to removing existing concrete panels, opening the front with new dark bronze aluminum frames and glazing, to accommodate the new design concept."

Mr. Callery points to another advantage of the building's design — it allows room for expansion. "That consideration," he says, "plus the possibility of installing an ATM in the future gave us the flexibility to cope with increased lobby traffic by providing additional services. We couldn't be more pleased."

Mr. Wong notes that the exterior canopy that once covered the restaurant now serves as a shelter for vehicles using the drive-up facility, which includes remote kiosks.

Addition of greenery in the parking

There are a lot more where they came from . . .



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The next time you see Larry Reed or Ted Liles, think of them as a crowd. Because they represent the First Force in correspondent banking from the Texas Panhandle's oldest and largest financial institution. Over 450 full-time professionals — 50 of them specially trained in correspondent banking to provide you with the services you need.

And your needs are very important to us. If you have special requirements not covered by our comprehensive list of specialized correspondent services . . . tell us about it! We'll come up with the program or service you're looking for.

If interpreting controversial, complex federal rules and regulations is a problem, we'll be happy to answer your questions. And we even hold seminars on that subject from time to time. In short, we want to help you in any way we can.

The **First** National Bank of Amarillo

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MEMBER FDIC

area serves two purposes: 1. To beautify the area. 2. To control parking and drive-through traffic.

"Green areas can be functional and should be incorporated into any design concept," says Mr. Wong. "Our urban areas are too filled with asphalt and concrete that only tend to exacerbate our feelings toward some of the unpleasantries of our environment.

General parking includes space for 14 vehicles, one of which is reserved for the handicapped. ● ●

BMA Convention

(Continued from page 26)

fiat.

"In a world of increasing competition," said Mr. Lord, "marketing will be critical for all providers of financial services. New services and combinations of existing services will generate the need for new and better packaging and more information aimed at customers. Financial institutions will need more sophisticated knowledge of potential markets for their products. And they will need considerable marketing skills to persuade those markets of the superiority of their services."

As is its custom, the BMA produced a "working convention," filled with "dawnduster" sessions beginning the days at 7:30 a.m., followed by general sessions and then departmentals. ● ●

1982 BMA Convention

The BMA will hold its 1982 convention October 24-27 at the Phoenix Civic Plaza in Phoenix. Convention chairman is Michael P. Sullivan, vice president/corporate communications, First Union National of North Carolina, Charlotte.

Fannin Bank Brings McEnroe To Houston for Tournament

Houston's Fannin Bank recently served as presenter of the John McEnroe vs. Vitas Gerulaitis Texas Cup challenge match. Purpose of the match was to bring the No. 1 tennis player in the world to Houston so thousands of tennis fans could see him, in addition to other world-class players.

The bank also sponsors the National Father/Son Indoor Tennis Championship tournament in February. The event began in 1976 and has been recognized as a national tournament for the past four years.

New direction in financial insurance

New management, new symbol, new slogan...

...and new aspirations. Financial Insurance Service, Inc., with its wholly owned subsidiary, Financial Insurance Service Consultants, Inc., has been acquired by Joseph T. Ambrose and Robert J. Peele.

Operating primarily in the Midwest and Southeast, Financial Insurance Service, Inc., is a commercial insurance broker, risk management consultant and employee benefit administrator specializing in a wide range of risk management services and insurance products for financial institutions.

As a broker, we provide bankers' blanket bond, electronic funds transfer, directors' and officers' liability, single interest and property and casualty coverages—all the forms of insurance your financial institution needs.

As risk management consultants, we assist financial institutions in identifying exposures and then establishing loss control programs to eliminate or minimize those exposures.

We can also perform the services of a third party administrator in designing employee benefit plans, implementing those plans, adjudicating claims and performing all necessary administrative duties attendant to such plans.

The new owners of the company wish to express their sincere gratitude to the founders and former principals for their immense contributions to the field of financial institution insurance.

If you have any questions regarding any phase of insurance for a financial institution, your best course is to write or phone us. Ask for a free copy of our *Risk Management Pocket Seminar.*

1010 Meacham Road, Box 94099
Schaumburg, Illinois 60194
312/884-3800

FINANCIAL INSURANCE SERVICE, INC.

Protecting America's Financial Institutions with Integrity

TWO TOP PHOTOS graphically show damage done by tornado last May to branch of American Bank of Commerce, Lake Charles, La.

LEFT PHOTO shows how bank solved problem and had branch back in business in five business days. This temporary building was shipped by MPA Systems, El Paso, Tex., from Shreveport to Lake Charles and was set up and ready to go by Monday, May 18. Tornado had occurred Saturday, May 9.

Even Tornado Doesn't Close Branch, Thanks to Temporary Building

WHEN a tornado ripped through Lake Charles, La., about midnight Saturday, May 9, one of the buildings it destroyed housed a branch of American Bank of Commerce. However, as Vice President Eugene B. Reddell points out, "We were extremely fortunate for the branch to have been closed only five business days."

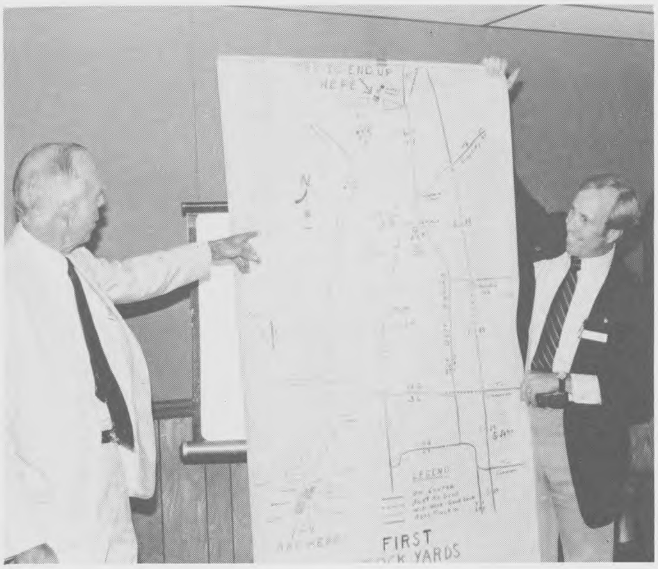
The reason the branch was put back into operation so fast lies in El Paso, Tex., home of MPA Systems, a major supplier of temporary banking facilities throughout the Mid-Continent area.

Mr. Reddell attributes much of the credit for the branch's relatively small loss of business to what he describes as "the rapid and efficient manner in which MPA Systems responded when we needed assistance."

"I first contacted MPA Systems about noon May 11," says Mr. Reddell, "and 24 hours later, a mobile banking facility arrived in Lake Charles.

The temporary building was shipped there from Shreveport, where it had been used previously. According to Mr. Reddell, it was in much better condition than he had expected. During the remaining three days of the week, communications, power and water were connected; Mosler Co., Hamilton, O., installed an alarm system in the temporary building and helped the bank with the huge cleanup task, and the facility was opened for business Monday, May 18.

"We are always happy to assist our clients when an unexpected tragedy such as this strikes," says John R. Karr, general partner in MPA Systems. "We are grateful to Mr. Reddell for the confidence he placed in us and for his kind words about the outstanding performance of our employees in this emergency situation." ● ●



LEFT: H. H. Broadhead Jr., pres., First Stockyards, unveils "homemade" map which gives directions on how to reach St. Joseph Country Club. Helping is Gary Mowrey, adv. dir., First Midwest Bancorp. BELOW: Bankers tour Bio-Zyme Enterprises, where they learn about the advantages of enzymes added to livestock feed.

Market Day's 25th Anniversary Includes Tour and Talks

By Ralph Cox, Publisher

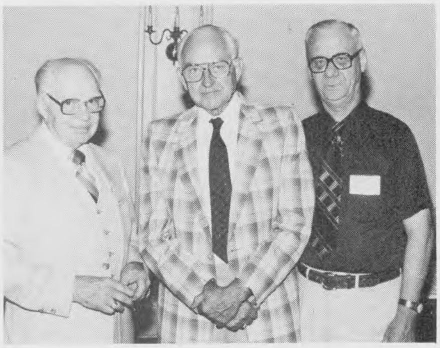
TWENTY-FIVE years old and still offering new ideas. That's what bankers were saying last month as they attended the 25th annual Market Day program sponsored by First Stockyards and First National, St. Joseph, Mo.

Originated in 1956, the program was designed to acquaint rural bankers with the central public livestock market in St. Joseph. During each of those years, bankers who attended listened to speeches by agricultural educators and market specialists and also toured one of the major agribusiness firms located in the market. This year it was Bio-Zyme Enterprises, Inc., where bankers learned some interesting facts about the Vita Ferm feeding system, which shows profitable results for livestock feeders.

During the course of the one-day program, H. H. Broadhead Jr., chairman, First Stockyards, and one of the originators of the Market Day program, spent a few moments reminiscing about the 25-year-old program. During a luncheon, he presented five or six of the market specialists who helped originate the program and who are still involved in it today.

Mr. Broadhead pointed to some of the changes that had occurred during those 25 years, including today's absence of two major packing firms — Armour and Swift. But numerous other enterprises had started up in the market area during those years — one of those being Bio-Zyme Enterprises toured last month.

Market Day speaker Max Lennon, dean, College of Agriculture, University of Missouri, is flanked by Roger A. Hegarty (l.), ch., First Midwest Bancorp., and John Karn, pres., First Stockyards.



Tom McCullough, retired chairman, First Stockyards; Larry C. Ehlert, pres., Bio-Zyme Enterprises; and Carol Brand, pres., Bank of Osborn, Mo.

Mr. Broadhead poked a little fun at one annual situation that always occurred. He admitted that he "may" have confused bankers in his directions on how to get to the country club for the annual steak dinner, and, in a moment of nostalgia, he broke out an old map (see illustration), which was designed to "aid" bankers in reaching the country club. Many of the old timers didn't need the map, but to newcomers the directions were as confusing as ever.

Despite changing methods of marketing cattle, the St. Joseph market has managed to survive all those years, explained Mr. Broadhead, and in fact flourishes quite well today — particularly with the fat cattle auction that was originated a couple of years ago.

A tour of the Bio-Zyme firm opened

bankers' eyes on use of enzymes in specially prepared cattle feeds. The company uses a patented product called Amaferm, which is described as an almost totally natural additive for animal feeds discovered by a biochemist in 1943. This additive, combined with other common cattle feeds and also used as an additive with silage, reputedly aids in digestion of food for animals and not only helps them grow faster with smaller amounts of feed, but also increases fertility and increases likelihood of more live births for both cattle and pigs.

Larry C. Ehlert, founder of Bio-Zyme Enterprises, is endowed almost with a missionary spirit as he proclaims present and future benefits for those using his specially treated cattle feeds.

Currently, he states, cattle feeders are aided by the fact that his feed allows them to use one-third less hay while making fuller use of other roughage sources.

He also maintains that in a cow herd development, the enzyme feeds assure fetus development for a strong calf, reduce cycling time and increase first-round conceptions, result in heavier calves from increased milk flow and strong positive herd-replacement-development growth.

Herd health also is improved, he claims. The result is "better bottom-line figures for year-round users" of these special feeds.

Mr. Ehlert also claims that his feeds, properly used, will help pork producers market 20% more pigs per sow per year. The statistics presented indicate that each sow and gilt retained for breeding purposes in the United States today farrows less than 1.7 liters per year and have fewer than 13 pigs marketed per year. "We think a 20% increase (in numbers) is a realistic goal," said Mr. Ehlert.

His firm offers a special feeding program that allows the pig to "adjust his intake of protein, minerals or enzyme needs." The pig always has been a natural consumer of animal and plant proteins, he stated, "and when given the opportunity, the pig's reproduction and production records have responded in kind."

In one leaflet, distributed to bankers at the close of the tour, was a study conducted to investigate the effect in calves of the addition of Vita Ferm, one of the company's special mixes, to a group of calves receiving a poor-quality grass hay similar to that which would be received on winter-grass pasture.

For the entire 150 days of the study, the average daily gain was 13.5% higher, and feed efficiency was increased 7.7% in the cattle-fed Vita Ferm as compared to the control group. Bankers were quick to grasp the economics of this study.

The firm offers a range of its special treated feeds for cattle and also is beginning to market a product for dogs.

A featured speaker at the one-day program was Max Lennon, dean, College of Agriculture, University of Missouri. Dean Lennon presented some observations on changes that could occur in agriculture in the years ahead.

The American farmer has been unusually productive, he stated, and increased production from year to year has been taken almost for granted.

There are many reasons for this — for example, improved technologies, hybrid seeds and mechanization. Energy, too, has been unusually cheap — but what will happen to productivity, he asks, as this cheap energy vanishes.

By the same token, nitrogen has been cheap, but will it be cheap in the future? There is no question that credit costs have increased, and what will happen to water costs? Water tables apparently are dropping and water may cost more in the future.

Our transportation system, which has been an aid to agriculture, has been extremely efficient, and there is no real indication, he stated, that this system will deteriorate rapidly.

But for the structure of farms, change has been occurring year by year. Dean Lennon predicted that by the year 2000 it is possible that 1% of the nation's farms will produce 60% of the goods.

Corporate farming certainly will grow in intensity, and there is no real way of predicting, he stated, what effect this will have on the overall agriculture picture in the year 2000.

Statistically, Dean Lennon was able to show that U. S. per capita consumption of beef has dropped significantly over the past few years. Back in 1955, U. S. consumption was 64 pounds per person. This reached a peak in 1976 of 95.7 pounds and has dropped annually to a figure of 78.3 pounds in 1980.

Price and competition certainly have had something to do with this. During that same interval, per capita consumption of chicken rose from 21.3 pounds per person to 51.2 pounds in 1980. During this same period, consumption of seafoods increased modestly from 10.5 pounds to 13.5 pounds per person.

During those same years, pork consumption rose and fell with the pork cycle. However, in recent years, the trend of consumption has been up gently to a new high of 69.8 pounds per person in 1980.

These trends suggest change, but also opportunity to agribusiness for those who want to take advantage of this change, said Dean Lennon. Computer decision making, he said, is just one example of matching cost with production models.

He suggested, too, that new varieties of crops will develop that will make more efficient use of the soil and fertilizers and thus increase farm profitability. Genetic engineering could, he said, help shorten the cattle cycle and thus improve cattle profits.

Dean Lennon stressed the need for farmers (and bankers) to strive continually for cost reduction. For example, he pointed to trucking enterprises. Trucks normally run 40% empty. If someone can figure out how to solve this, it would offer tremendous cost savings to agriculture.

He also questioned whether "big farm equipment" was better than smaller equipment. And should every farmer own his own tractor, or plow or combine.

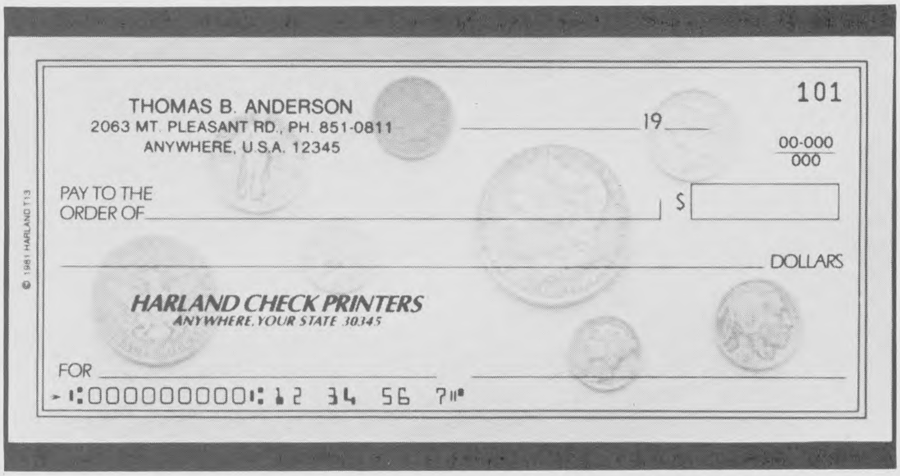
Agriculture, he stated, must continue to examine these cost systems to stay solvent in the future.

The day-long program concluded with some price predictions by various Market Day specialists, and these, of course, change daily as reports and conditions change.

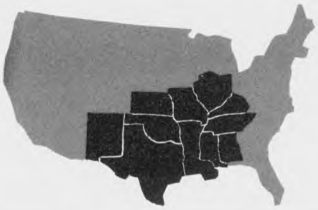
And last, but not least, bankers were treated to the final end of the cattle cycle — a charcoal steak that had originated on a Midwest farm, fed somewhere on a Midwest feed lot, processed through the St. Joe Stockyards and then served at the St. Joseph Country Club. Officials of both First Stockyards and First National promised to be back for the 26th meeting in 1982! • •

Philip E. Schmidt has been promoted to vice president at the Kansas City Fed. He is supervisor of the bank supervision department, which is responsible for examining and supervising state member banks.

Collectibles Check Series Available



A new series of checks is available from John H. Harland Co., Atlanta, featuring popular collector's items. The series consists of five scenes, each displaying a grouping of treasures against a blue and white background pattern. Featured are stamps, coins, antique watches, butterflies and marbles.



News

About Banks and Bankers

Alabama

Edward L. Hilliard has been promoted to vice president at First National, Mobile. He joined the bank in 1979. Named branch officers were Keith C. Anderson and Walter A. Bell.

Eleven of the 12 affiliates of Central Bancshares of the South, headquartered in Birmingham, are expected to be merged by the end of 1981. Central Bank, Birmingham, will merge with Central Banks in Decatur, Mobile, Montgomery, Auburn, Jasper, Eufaula, Tuscaloosa, Uniontown, Dothan and Springville. A new name is being developed for the merged institutions. The HC's remaining affiliate, Central Bank of Oxford, will consolidate with First City National, Oxford, to operate as a national bank affiliate of the HC. In separate action, the HC plans to acquire First National of Baldwin County, Fairhope.

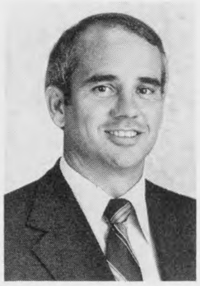
Federal Reserve approval has been received for opening AmSouth Bank International, said to be Alabama's first Edge Act corporation. Joint owners of the corporation are First National, Birmingham, and American National, Mobile. The corporation's first office is to be opened in Mobile this month, under the direction of Lee R. Seifert, former executive vice president at First National, Mobile.

J. Vann Henagan has been promoted to senior vice president at First National, Birmingham. He is manager, public funds administration department and formerly served in the correspondent banking department. He joined the bank in 1958. Promoted to vice presidents in the bond department were William B. Ogletree and Murry C. Vaughan.

Arkansas

Lee White has been elected senior vice president at Farmers Bank, Clarksville. He joined the bank in 1973 and had been a vice president since 1978.

First State, Conway, has elected Louis E. Stell and James G. Williamson Jr. to its board. Mr. Stell is the bank's executive vice president and joined the institution in 1962. Mr. Williamson is new to the bank and formerly was senior vice president/chief financial officer at Twin City Bank, North Little Rock.



SIGMAN

G. Michael Sigman has been elected vice president/manager, correspondent banking/national accounts division at Worthen Bank, Little Rock. He joined the bank in 1971 and succeeds Michael E. Cissell, who now is executive vice president/director of banking services. Other new vice presidents include John Woodworth, who also was named manager/operations; Dwight Goodwin and James Wilkerson. Chris Robertson was promoted to assistant vice president.

Illinois

Northern Trust, Chicago, has named the following second vice presidents: Leonard J. Coffey and Stephen W. Rich, personal banking; David A. Hartley and Mary A. Mortell, trust; Elizabeth Hart, economic research. Eli S. Barkhausen and Mary Blackett Rugo were named trust officers.

JUMP

Michael W. Jump has been promoted to vice president in the correspondent banking division at American National, Chicago. He joined the bank in 1974 and was assigned to the correspondent department in 1979. He formerly was a second vice president.

Continental Bank, Chicago, has named David E. Maguire, vice president, manager/corporate personnel services, and William L. Gunlicks, vice president, manager/mining, construction and utilities group/special industries services department. They joined the bank in 1966 and 1967, respectively. Newly named vice presidents include A. James Baka, Christopher B. Campbell, Rudolph Wagner, financial services; Lawrence D. Wickter Jr., general banking services; Jere L. Jones, international; William G. Drewes, multinational; Craig R. Nelson, special industries; James R. McClamroch and Jeffrey D. Tubbs, U. S. banking; Edward J. Doyle, Ray L. Brownfield, William O. Leszinske, Terry L. McRoberts and Brian K. Riordan, trust/investment; Rene L. DeMaris and William L. Weibel, bond/treasury; Robert L. Moore Jr., Christopher J. O'Donnell, Ronald B. Phemister, Reinhard J. Schneider, Dennis J. Stine and William J. Wienke, real estate services; Edward M. Boss, operations/management services; Donald L. Lippert, personal banking services; Charles G. Schultz, Continental Illinois Leasing Corp.

Former IBA President Dies

James P. Ghiglieri, pres., Citizens Nat'l, Toluca, died August 30. He was 54. He served as pres., Illinois Bankers Association, in 1973-74. He had been associated with his bank since 1951 and was a past ch., IBA Group Six.

Multibank HC Planned

Madison Bank, Chicago, is organizing a multibank HC with Madison National of Niles, Des Plaines, and First National, Wheeling. The banks had been members of an informal chain. All will become members of Madison Financial Corp., HC for Madison Bank, Chicago. Approval for the action is not expected before the first of the year, the effective date of Illinois' new law allowing for multibank HCs.

Control of All American Bank, Chicago, has been acquired by an investor group headed by First Colonial Bankshares, HC controlling Colonial Bank, Chicago. HC President C. Paul Johnson has been named CEO of All American.

200-Bank ATM Network Established in Illinois

A joint network agreement between Cash Station, Inc. (CSI) and Electronic Funds Illinois, Inc. (EFI) has set the stage for the largest shared ATM network in Illinois.

The arrangement permits banks belonging to EFI to share ATMs deployed by CSI-members in Cook County and contiguous counties. CSI members can arrange to use shared ATMs established by EFI. Illinois law limits banks from sharing ATMs in any but its home or contiguous counties.

Indiana

Lafayette National has elected Bonnie L. Hobbs and Gregory W. Springer assistant vice presidents. They joined the bank in 1972 and 1975, respectively.

Robert J. Crothers has been appointed senior vice president at St. Joseph Valley Bank, Elkhart. He joined the bank in 1971 and now is in charge of the consumer lending division. Stephen R. Carlson has been promoted to vice president/trust officer. He joined the bank in 1977. Gregory A. Rosin has been appointed vice president/controller. He comes to the bank from a bank in Michigan.

$2.5-Million of Student Loans Sold by Indiana Banks

Seven Indiana banks have sold $2.5 million worth of student loans to the Indiana Secondary Market for Education Loans, Inc.

The purchases represent the culmination of more than two years of planning and effort by individuals in the private and public sectors, including the governor's office.

The seven initial participating banks are Anthony Wayne Bank, Fort Wayne; Bank of Indiana, Merrillville; Clark County State, Jeffersonville; First Merchants National, Michigan City; Irwin Union, Columbus; Merchants National and Midwest National, Indianapolis. A total of 75 lenders have signed agreements with the Indiana Secondary Market for Education Loans to sell almost $50 million of student loans.

Funds for the initial purchases were provided through a $15-million short-term loan from Merchants National, Indianapolis.

Kansas

Tommy N. Thompson has been named vice president/installment loan officer at Lyon County State, Emporia. He formerly was a loan officer at Commerce Bank of Harrisonville, Mo.

Maurice Linnens has been named president, National Bank, Wichita. He formerly was with Wichita State as vice president/trust officer, and, before that, was vice president/commercial lending at Kansas State, Wichita. He is chairman of the Central Kansas Group of Robert Morris Associates.

Admire Bank, Emporia, has appointed James O. Myers as president, LeEtta Holmberg as senior vice presi-

KBA Trust Seminar Set

The annual fall seminar of the KBA's trust division will be held October 29 and 30 at the Red Coach West Motel in Salina.

Seminar topics will include the Tax Recovery Act of 1981 as it concerns estate planning, trust marketing, how to handle oil and gas in estates and trusts and generation-skipping trusts.

Additional information is available from William Gilles, senior vice president/trust officer, National Bank of America, Salina.

dent and Gene W. Mavity as vice president. Mr. Myers also was elected to the bank's board. He formerly was vice president in charge of lending activities at the bank. Mrs. Holmberg has been with the bank for 13 years and was vice president/banking services. Mr. Mavity formerly was an assistant vice president in the loan department.

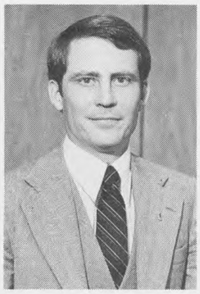
Banking History Completed

A history of the Kansas banking industry from 1887 to the present has been completed and copies are being sent to banks ordering it from the Kansas Bankers Association.

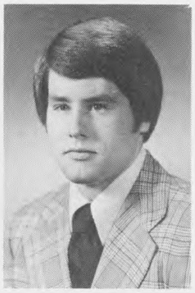
The 180-page book, written by former KBA staff member Roger Kirkwood, is illustrated and is available at $14 per copy from the KBA.

Stephen B. Ashley has been promoted to senior vice president/correspondent department head at Security National, Kansas City. He joined the bank in 1973 as assistant cashier and served two years as assistant vice president/marketing before joining the correspondent department in 1977. He has headed that department for the past year. He is a graduate of the Colorado School of Banking.

Wayne A. Becker has been named an assistant vice president in the correspondent banking department at Fourth National, Wichita. He has been with the bank since 1970 and formerly was assistant controller. He is a graduate of the Graduate School of Banking at the University of Wisconsin.



ASHLEY



BECKER

Kentucky

2nd Nat'l Plaza Topped Out

Jake H. Graves III (r.), ch./pres., Second Nat'l, Lexington, celebrates topping out of 14-story Second National Plaza building with project's general contractor Gary Pennington. Topping out occurred on Mr. Graves' 55th birthday. Bank's building is scheduled to open in September, 1982, in time for bank's centennial.

A. Stephen Cooper has joined First Security National, Lexington, as assistant vice president in the regional and specialized commercial loan division. He formerly was with First National, Louisville.

Bowling Green Bank has promoted Steve Marcum to senior vice president/controller, Rod Carter to vice president and Mike Stevenson to assistant cashier. Mr. Marcum joined the bank in 1979, Mr. Carter in 1978 and Mr. Stevenson in 1979.

Mid-South Bancorp. Inc., Franklin, has become a bank HC through acquisition of most of the voting shares of the successor by merger with Simpson County Bank.

Louisiana

LBA to Sponsor School

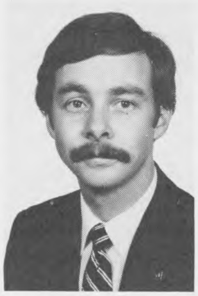
An intermediate-level banking school will be sponsored by the Louisiana Bankers Association at Louisiana State University in Baton Rouge.

The two-year school will hold its first session June 13-18, 1982. Enrollment is open to Louisiana bankers and, if space is available, to out-of-state bankers.

The curriculum will consist of courses in accounting, economics, money and banking, finance and marketing. The faculty will include bankers and educators working jointly to develop the program.

Registration is being handled by the LBA, P. O. Box 2871, Baton Rouge, LA 70821.

A reorganization at Hibernia National, New Orleans, has resulted in the establishment of four new groups within the bank. Each group represents the consolidation of banking services and functions. The commercial banking group and the retail banking group will report to Richard A. McNeece, president/head of banking. The operations group and the asset-liability group will report to Thomas A. Masilla Jr., recently promoted to executive vice president/head of administration. Stuart Mahler, Stanley J. Rodimon, O. C. Russell Jr. and Charles J. Shaw, all senior vice presidents, have been named heads of the commercial banking, retail banking, operations and asset-liability groups, respectively. In other action, the bank has promoted S. Kyle Waters to vice president/manager, financial institutions department. He is responsible for correspondent relations with banks and thrifts. He joined the bank in 1973. He has served in the branch system, audit department and financial division, as well as the financial institutions department. He is active in the Young Executives Section of the Louisiana Bankers Association.

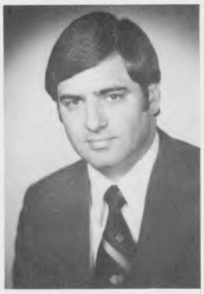


WATERS

MASILLA

SHAW RODIMON RUSSELL MAHLER

E. J. Guzzo has been promoted to vice president/manager in the correspondent banking department at Bank of



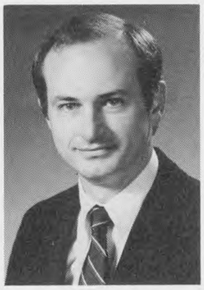
GUZZO

New Orleans. He formerly was vice president/senior commercial relations manager, commercial loans. Also promoted was Frank Vandrell, to vice president/manager of the discount department.

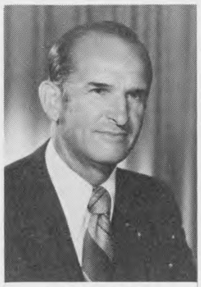
Mississippi

Top-management changes will take place January 1, 1982, at Deposit Guaranty Corp. and Deposit Guaranty National, Jackson. John P. Maloney, currently chairman/CEO of the bank, will assume the additional duties of chairman/CEO of the HC. E. B. Robinson Jr., bank president, will also become president of the HC. Robert

MALONEY



ROBINSON



McCULLEN

GARRAWAY

C. Garraway has been named vice chairman of the HC and Ray R. McCullen has been named vice chairman of the bank, also effective January 1. Warren A. Hood, HC chairman/CEO, plans to retire on December 31, but will remain as chairman of the executive committees of the HC and the bank. The bank has promoted John D. Adams, D. Joseph O'Brien Jr., H. G. Parker and Nathan A. Whitehead to vice presidents and Byron D. Aldridge to vice president/trust officer.

Brookhaven Bank has elected Patsy M. Smith cashier and named Martha Bates and Martha Smith branch managers. Patsy Smith has been with the bank since 1963, Mrs. Bates since 1965 and Martha Smith since 1977.

Missouri

Consumer Finance Conference Set for October 28-30

"Issues in Bank Lending" is the theme of the 26th annual Consumer Finance Conference to be sponsored by the Missouri Bankers Association October 28-30 at the Lodge of the Four Seasons, Lake Ozark.

Keynote speaker will be David L. Schmidt, president, David L. Schmidt & Associates, Shawnee Mission, Kan. His topic will be "Time Management." Also on the first-day's program will be a discussion of SB 326 and other usury laws by Wade L. Nash, MBA staff attorney; an MBA legislative update by Richard H. Mason, MBA's director of governmental affairs; a session on bankruptcy by Frank R. Koger, Kansas City attorney; a session on managing for profitability by William W. Quigg, president, Central Trust, Jefferson City; size group meetings and a social hour and banquet featuring Denny Hilton and the Lake Ozark Country Shindig Opry Show.

The luncheon speaker will be Kenneth W. Littlefield, Missouri's new Division of Finance commissioner.

The program for the second day will feature a compliance session with Ken Keifer of the FDIC, Charles R. Halbrook of the Fed and Earl Manning representing the Division of Finance. Final session will be an economic forecast by Frank K. Spinner, chairman/president, Tower Grove Bank, St. Louis.

Conference chairman is Robert Walster, president, First National, Mt. Vernon.

John W. Boyle, chairman, May Department Stores Co., St. Louis, has been elected to the board of Boatmen's Bancshares, St. Louis. He also is on the board of Boatmen's National. The HC has acquired more than 95% of the outstanding shares of Mountain Grove (Mo.) National and the Fed has approved acquisition by Boatmen's.

Commerce Bank, Kansas City, has promoted Edgar W. Schelp to vice president/operations manager, affiliate bank operations and relations department. New officers are Charles E.

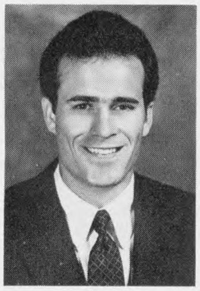
Centerre Plaza Designated

The city of St. Louis recently passed an ordinance designating the two-square-block site of the soon-to-be-completed First Nat'l Bank Building as Centerre Plaza. Observing the erection of signage on the site last month were (from l.) First Nat'l Pres. Richard F. Ford; city Alderman Bruce T. Sommer, ordinance sponsor; and Clarence C. Barksdale, bank ch./CEO.

Ehrhorn, assistant vice president, metropolitan department, and Barbara A. Thomson, consumer banking officer, retail banking department.

Anne L. Gagen has been elected a vice president at St. Louis County Bank, Clayton. She joined the bank in 1979 and is slated to become manager of the bank's new office at Clayton Road and DeMun Avenue. County National Bancorp. has received Fed approval to acquire Security Bank, Manchester.

United Missouri, Kansas City, has elected J. Robert Hardin an assistant vice president in the correspondent department. He is responsible for accounts in northwest Missouri and has been in banking for five years. New vice presidents include Robert L. DeWitt and Thomas Lange and new assistant vice presidents include Steven P. Okenfuss, Rita M. Abernethy, Dorothy J. Schneider and Kent Workman. Robert E. Pyszka was appointed director of purchasing.



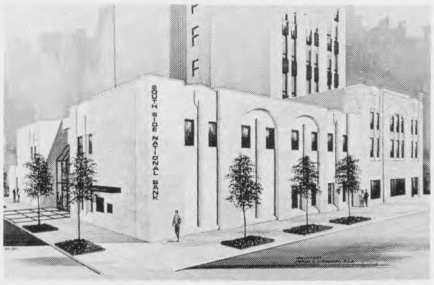
HARDIN

AZELTON

Bob Azelton Jr., Patrick C. Clark and Sharaon Hinderks have been promoted to assistant vice presidents at First National, St. Joseph. Mr. Azelton is in the agriculture/correspondent department and comes to the bank from First Stock Yards Bank, an affiliate of First Midwest Bancorp. Also promoted were Flo Smith to assistant loan officer and Jeanette Venable to assistant cashier. James W. Doyle was elected vice president/manager, East Facility.

Mercantile Trust, St. Louis, has named the following vice presidents: Thomas J. Doherty, James R. Davis, Charles V. Monaghan and Paul F. Holmes. Rodney R. Humphries has been promoted to assistant vice president and Carleton L. Briggs and Matthew G. Wuellner have been named marketing research officer and accounting officer, respectively. Daniel W. Eschenbrenner has been elected vice president of Mercantile Customs Services, Inc., and manager of its downtown St. Louis office. Mercantile Customs Services is a subsidiary of Mercantile Trust and its office is located in the bank at Eighth and Locust.

South Side Nat'l Breaks Ground



Ground has been broken for a $2.4 million renovation and expansion of South Side National, St. Louis. The building site is adjacent to the bank's existing structure. Completion is set for December, 1982.

First National, St. Louis, has promoted Larry D. Hoffman to vice president, investment operations and Lawrence S. Ross to vice president, international division, Singapore Branch. Named assistant vice presidents were Steven K. Dieringer, Charles A. Erker, Susan L. Krieg, Jesse E. Neyman Jr., and Diane K. Spencer. New officers include Jo Ann Dye, personnel; Joseph H. Hempen, international trading; Beverly A. Gregory, cash management; Jimmy Lee Proe, petroleum engineering; and Philip J. Zemel, commercial banking. Janet R. Johnston and James C. Nabe were elected assistant auditors. James E. Cummins has joined First Union Bancorp. as director of insurance sales.

First National, Kansas City, has elected Paula L. Hofius assistant cashier, Michael Ward international banking officer and Rita D. Neal personal banking officer. First National Charter Corp. has received Fed approval to acquire First National, Lebanon.

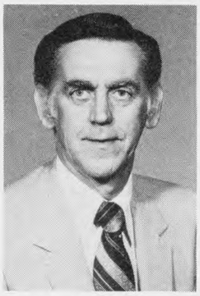
United Missouri Banks and their advertising agency, Smith & Yehle, Kansas City, have won two "awards of distinction" in the national bank advertising awards competition held recently in Denver. United Missouri was cited for its work in trade magazine and newspaper campaign advertising. The bank and its agency also received three certificates of excellence at the 1981 Kansas City Ad Club Omni Awards presentation. Winning categories included trade publications.

Died: Major B. Einstein, retired senior vice president, First National, St. Louis. He joined the bank in 1951 as a vice president, was elected senior vice president in 1963 and retired in 1966. He was 81.

New Mexico

First National, Albuquerque, has named Richard Holland vice president/real estate, Robert J. Valdiviez vice president/loan review, Raymond Adamik assistant vice president/dealer division, and Ed Pittman and Billy Smith assistant cashiers.

SHEPHERD



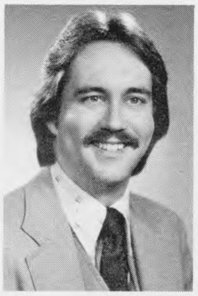
GOODWIN

Robert D. Goodwin has been appointed sales engineer for a number of New Mexico counties by LeFebure. He is headquartered at the firm's Denver Branch.

Dan R. Shepherd has been named director of a new business loans division office for Associates Commercial Corp. in Denver that will serve New Mexico. He joined the firm last January.

Fidelity National, Albuquerque, has appointed Gerald J. Libertelli president/CEO and reappointed Robert J. Kesnowski Jr. chairman. Mr. Libertelli formerly was president, Citizens Bank, Albuquerque, and has seen service with Chemical Bank, New York City, and Mercantile Bank, Tulsa. Mr. Kesnowski resumes a full-time role with New Mexico Banquest Corp. as senior vice president/head of the commercial group.

Oklahoma

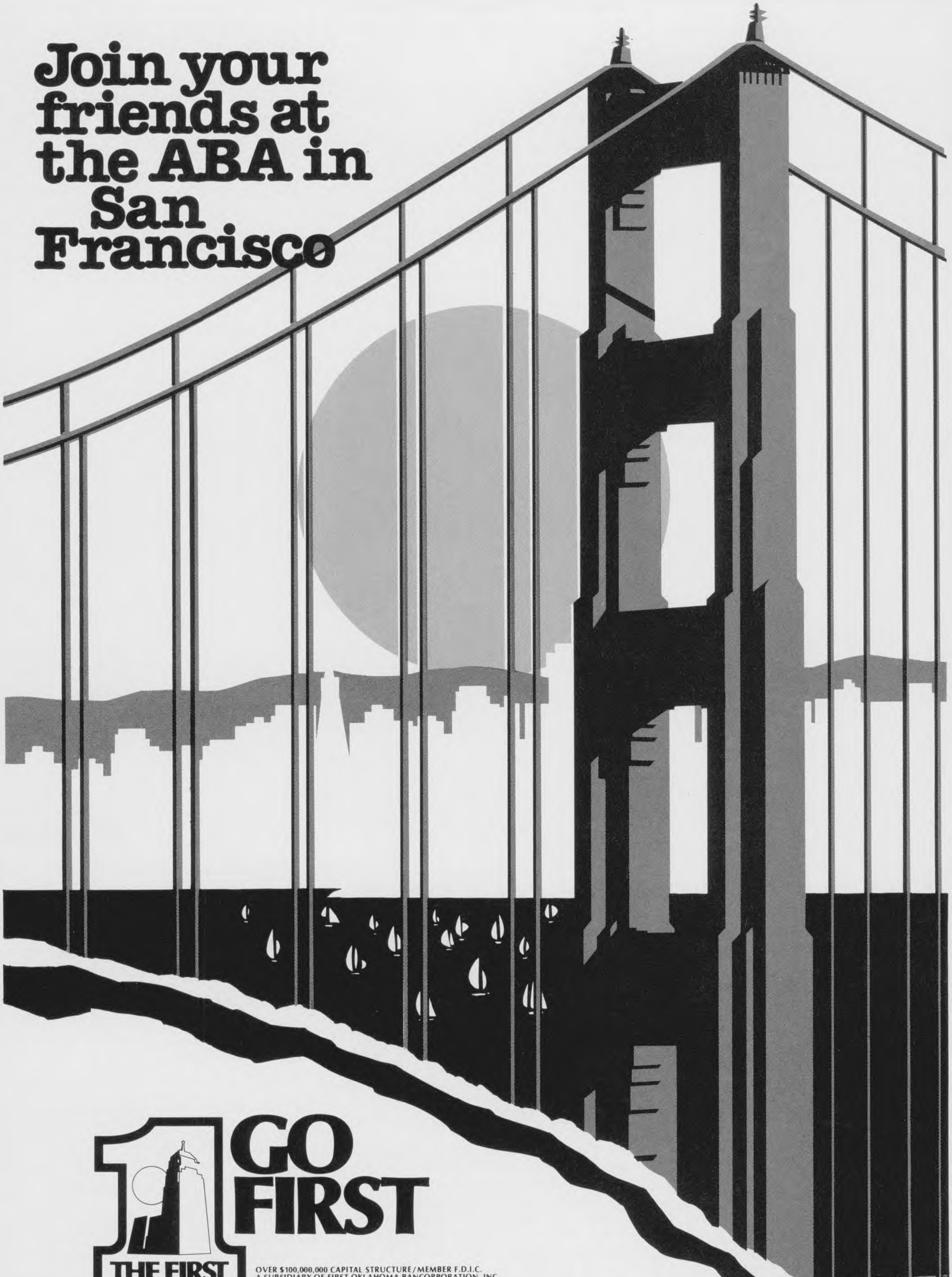


FORRESTER

KOTARSKI

Bob Kotarski has been promoted to senior vice president/correspondent bank department at Penn Square Bank, Oklahoma City. He joined the bank in July, 1980, coming from First National, Tulsa, where he was assistant vice president/correspondent bank department.

Keith Forrester has been promoted from assistant vice president to vice president/correspondent department manager at Bank of Oklahoma, Tulsa. He joined the bank in 1976.



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Vernon D. Ayres Drowned

OKLAHOMA CITY — Vernon D. Ayres, 61, ch./pres., Oklahoma Nat'l, was presumed drowned after having been knocked from a boat by a tree limb September 13 while on a fishing expedition 60 miles north of Dillingham, Alaska. As of this writing, his body had not been found.

Mr. Ayres entered banking 40 years ago at City Nat'l, Oklahoma City, and joined Oklahoma Nat'l in 1976. He also was president/director, Bank of Tuttle and First State, Cement.

At the time of the tragedy, Mr. Ayres was a member of the Oklahoma Bankers Association's senior bank management committee.

Liberty National, Oklahoma City, has elected Russell Scott Conn a vice president in the metropolitan division and Joe Heitschmidt a loan administration officer. Mr. Conn was senior vice president/commercial lending at Commerce Bank, Oklahoma City, before joining Liberty National in August. Mr. Heitschmidt was with Fidelity Bank before joining Liberty National earlier this year.

First National, Oklahoma City, has elected Richard M. Lockert and Carolyn L. Woodward vice presidents. Mr. Lockert is new to the bank and Miss Woodward joined the bank in 1962. Also promoted were Connie J. Larson and Jack L. Staubus to assistant vice presidents/trust officers and John Nowell to assistant vice president.

First Continental Bank, Oklahoma City, is the new name of Del State Bank. Primary reason for the name change, according to Ron Peeler, president, is the bank's growth in number of customers and area of service. The bank was chartered in 1959 in an 8,000-square-foot building. It moved in 1974 to an 80,000-square-foot building, now known as Del State Bank Tower.

D. Mike Moody has joined Community Bank, Bristow, as president. He formerly was president/CEO, First National, Sallisaw, and has served at other banks, including First National, Weatherford, and Bank of Hydro. He is a former FDIC examiner.

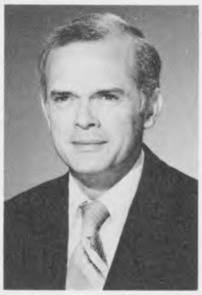
Fidelity Bank, Oklahoma City, has appointed Doyle Groves, vice president, as assistant division administrator/operational support division. Wanda Cline, assistant vice president, was promoted to director/check processing. Gary Tillman was promoted to assistant vice president/senior bond salesman and Tariq Mian was elected assistant cashier.

Tuck Link has been elected president at First National, Jenks. He continues as president/director of First Jenks Bancorp., the bank's HC.

Central National, Enid, has named J. Olivia Vincent consumer loan officer. She formerly was with a finance corporation in Honolulu.

Tennessee

John Tirrill's promotion to senior vice president at Third National, Nashville, heads a list of promotions that include Garry Forsythe and Ronald Shelton to assistant vice presidents, Bettye Abernathy and Rita Willingham to commercial officers, Susan West to retail officer and Linda Stilz to assistant bank systems officer. Mr. Tirrill joined the bank in 1957 and had been a vice president.



TIRRILL

Paula G. Keen, vice president, Third National Corp., Nashville, has been elected vice president of the National Association of Accountants for 1981-82. She is a member of the policy-making executive committee and has liaison responsibility with chapters in her area.

Third National, Nashville, has become the first bank in the city to reach the $100-million level in stockholder equity. On June 30, 1981, equity for the bank totaled $100,400,000.

The Fed has approved the application of Union Planters Corp., Memphis, to acquire Union Planters Bank, Nashville, a proposed new bank.

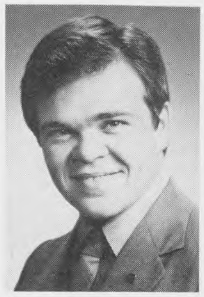
Aaron Helps Open Branch

Baseball's home-run king Henry Aaron was special guest at opening of newest branch of American National, Chattanooga. Mr. Aaron signed autographs and talked baseball with those attending event after he cut traditional ribbon. Branch is named East Third Street Branch and is located in Glenwood, an area of Chattanooga undergoing redevelopment. Pictured with Mr. Aaron (l.) are Manager John Cooper and bank President John P. Wright.

Texas

Paul Matchniff has been promoted to district service manager for Diebold. He is responsible for service activities in northeastern Texas and a portion of Oklahoma.

RepublicBank, Dallas, has named 13 new vice presidents, including Urey "Woody" Alexander, Frederick R. Bjorck, Douglas R. Denton, J. Lanham Higginbotham III, Sharon K. Hott, Roberto L. Sanchez, Robert D. Sanders, James C. Terrell, Michael J. Cramer, Mary G. Lewis, James M. McDonald, William F. Moyer and Donald E. Nelson.



LOWERY

Joe Lowery has been elected correspondent banking officer at RepublicBank, Houston. He joined the bank in January, 1980, as a credit analyst and was assigned to the correspondent department in February, 1981.

Melvin H. Johnson Jr. has been promoted to senior vice president at Colonial Frost Bank, San Antonio. He was a vice president at Frost Bank before moving to Colonial Frost in 1980.

Frost Bank, San Antonio, has promoted Gloria Coker to vice president and Susan Morgan to assistant vice president. Thomas N. Delavan was elected vice president/energy.

Cullen/Frost Bankers, San Antonio, has promoted Terry E. Maxfield to vice president/assistant treasurer, Phillip M. "Mike" Hardy to vice president/treasurer and Daniel J. O'Connor to assistant vice president/assistant secretary.

Frank H. Meissner and Ken L. Ricketson have been promoted to senior vice presidents at First International Bank, Houston. They joined the bank in 1972 and 1976, respectively. Mr. Meissner is a former correspondent banker.

Robert L. Bintliff has been named vice president/auditor at First National, Fort Worth. He also has been named vice president at First United Bancorp.

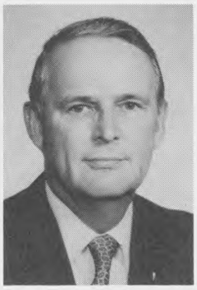
Capital National, Houston, has named Marvin L. West chairman/chief operating officer and Karl T. Butz chairman, executive committee/CEO. Mr. Butz continues as president, Mercantile Texas Corp.

Southwest Bancshares, Houston, has agreed to merge with Preston State, Dallas; Fort Worth Bancshares; Mansfield State, and First National, Euless. Other mergers pending include Copperfield National, First Pasadena State and Republic State, Houston, and Mercantile National, Corpus Christi.

Mason E. Mitchell Dies

DALLAS — Mason E. Mitchell, 61, e.v.p., RepublicBank here, died September 12 at the University of Maryland Hospital, Baltimore, after a long illness.

Mr. Mitchell joined First Nat'l, Tulsa, in 1948 as a teller and was v.p./correspondent banking department when he left there in 1959 to join Republic Nat'l, now RepublicBank, as a.v.p./correspondent banking. He became v.p. in that department in 1960, s.v.p. in 1967 and e.v.p. in 1972. He also was an officer of Republic of Texas Corp. (RPT), where he had statewide responsibility for affiliate-bank relations. RPT is the Dallas-based bank HC that includes RepublicBank, Dallas.



The family has requested contributions to the Mason E. Mitchell Memorial Scholarship in care of RepublicBank Dallas, P.O. Box 225961, Dallas, TX 75265.

The Banking Scene

(Continued from page 6)

mutual savings banks' books. In fact, the banks would show tremendous earnings and growth in capital, at least in real-world accounting concepts.

Again reverting to the issue of problem banks, I find it cheering that of the problem institutions cited by the FDIC since 1973 as "serious problem-potential payoff banks," only about one-third actually failed in the concept of the FDIC. Ten percent of those potential payoffs were merged with other banks without financial assistance from the FDIC, and 1% were assisted by the agency. If one could assume "past is prologue," a rather optimistic picture emerges. However, as the FDIC well knows, there typically is a likelihood of an 18-month lag before a bank is added to a problem list. One wonders, therefore, whether the FDIC has a second list that pinpoints those institutions likely to be placed on the problem list in a year or so.

In the past decade, over half the bank failures were attributed to insider self-dealing. As one analyzes mutual savings banks, such would not be a normal explanation. In fact, a paradoxical situation is noted. That is, the banks were doing what they were set up to do — garner savings, for the most part, from middle-class citizens and, in turn, invest the money mostly in real estate mortgages with a minor portion in short-term liquidity instruments. Such an investment program has great merit when interest rates are positive, that is, short-term rates are lower than long-term rates.

For well over a year, we have been experiencing an inverse or a negative-sloping yield curve. Therefore, mutual savings banks are in the difficult position of not being able to hold onto short-term funds, for the most part — because of Regulation Q. Depositors have been disintermediating from those banks into much higher-paying money-market funds. It's ironic that, for example, Series E bonds now are paying 8% and the passbook-savings rate for mutual savings banks is only three-quarters of that or less! One normally might say that Series E bonds pose an unfair competitive investment for the hard-pressed mutual savings banks. But the fact of the matter is that relatively few people are switching from mutual savings banks into Series E bonds even though the latter offer the higher rate. This is because interest rates are even higher in money-market funds.

As a former bank economist and a former government economist, I know it is extremely dangerous to attempt to forecast interest rates. In this context, it may be recalled that former President Jimmy Carter, during the last portion of his term in office, predicted an inflation rate of approximately 6% when the actual experience of inflation was closer to 12%. This gave President Carter a 50% accuracy rating.

There may well be reasons why one or another political party may project either gross national product or inflation rates for political rather than academic reasons. It is not my purpose to predict interest rates, but one can say that if we continue to have negative-sloping yield curves, the plight of our mutual savings banks will continue to worsen.

The purpose of this column is to raise the consciousness level of readers to the severe plight of mutual savings banks in particular and, to a similar degree, to S&Ls — and, to a somewhat more modest degree, to the commercial-banking industry. Many of the lay public don't recognize the substantial differences that exist between the asset and liability structures of mutual savings and commercial banks.

Commercial bankers should recognize that a large proportion of mutual savings banks currently is insured by the FDIC. To that extent, the spiral of failed institutions that occurred in the late 1920s and early 1930s isn't likely to occur again. Still, one must conjecture just how accurate the published figures of the FDIC are in terms of their leads and lags in a re-evaluation of the basic causes of problem banks and bank failures.

Will failures of an increasing number of financial institutions result from inappropriate federal monetary and fiscal policies rather than from incompetent management of institutions?

Correspondent Conference Set for Kansas City in Nov.

WASHINGTON, D. C. — The ABA's National Correspondent Banking Conference will focus on meeting the challenges created by Fed pricing and new competitive forces. The conference is scheduled for November 15-17 at the Hyatt Regency Hotel in Kansas City.

Keynoter for the conference will be Thomas G. Labrecque, president, Chase Manhattan Bank, New York. He will describe "The Financial Services Industry — Today and in the Future."

Other speakers on tap include William F. Ford, president, Atlanta Fed; Peter Merrill, president, Peter Merrill Associates, bank consultants, Boston; and Llewellyn Jenkins, vice chairman, Manufacturers Hanover Trust, New York, who will be ABA president by the time the conference is held. "Pricing Bank Services" will be examined by William D. Wilstead, associate dean, University of Colorado Graduate School of Business Administration, Boulder.

A panel of bank presidents will offer perspectives on the past growth and possible new directions of correspondent banking. Moderator will be Thomas P. Rideout, president, Savannah (Ga.) Bank, and chairman, ABA correspondent banking division. Others on the panel will be Richard F. Ford, president, First National, St. Louis; Roger A. Lyon, president, Valley National, Phoenix; and Hugh L. McColl Jr., president, North Carolina National, Charlotte.

Concurrent workshops will be conducted on mergers and acquisitions, managing for productivity, loan participations, bank stock loans and EDP for respondents. Small roundtable discussions are planned to cover a variety of topics including Fed pricing, bankers' banks, compliance problems, cash management, capital adequacy and servicing thrifts.

Conference chairman is Wayne G. Hansen, senior vice president, Chase Manhattan, New York.

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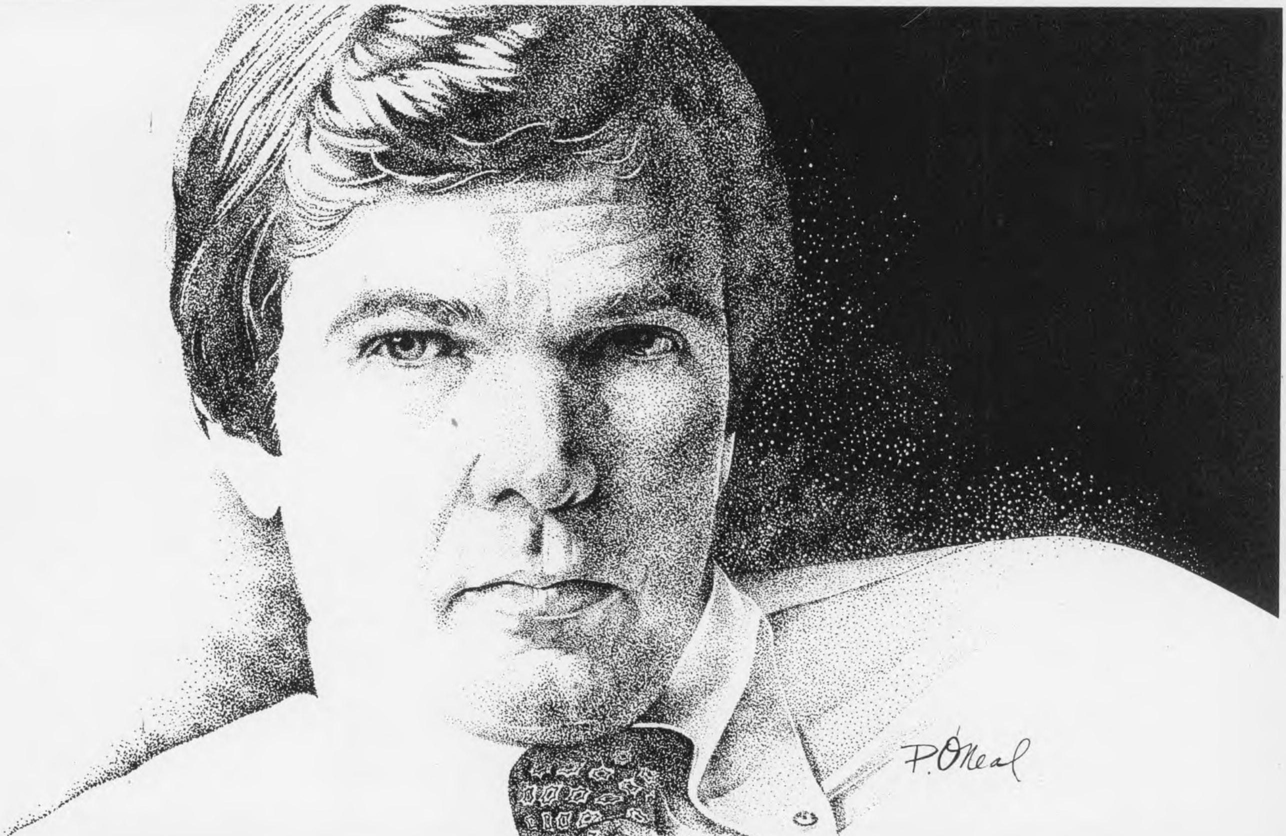

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