MID-CONTINENT BANKER

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The Financial Magazine of the Mississippi Valley & Southwest

MAY, 1982

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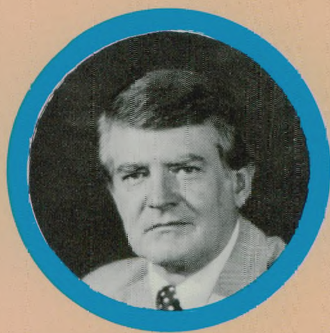

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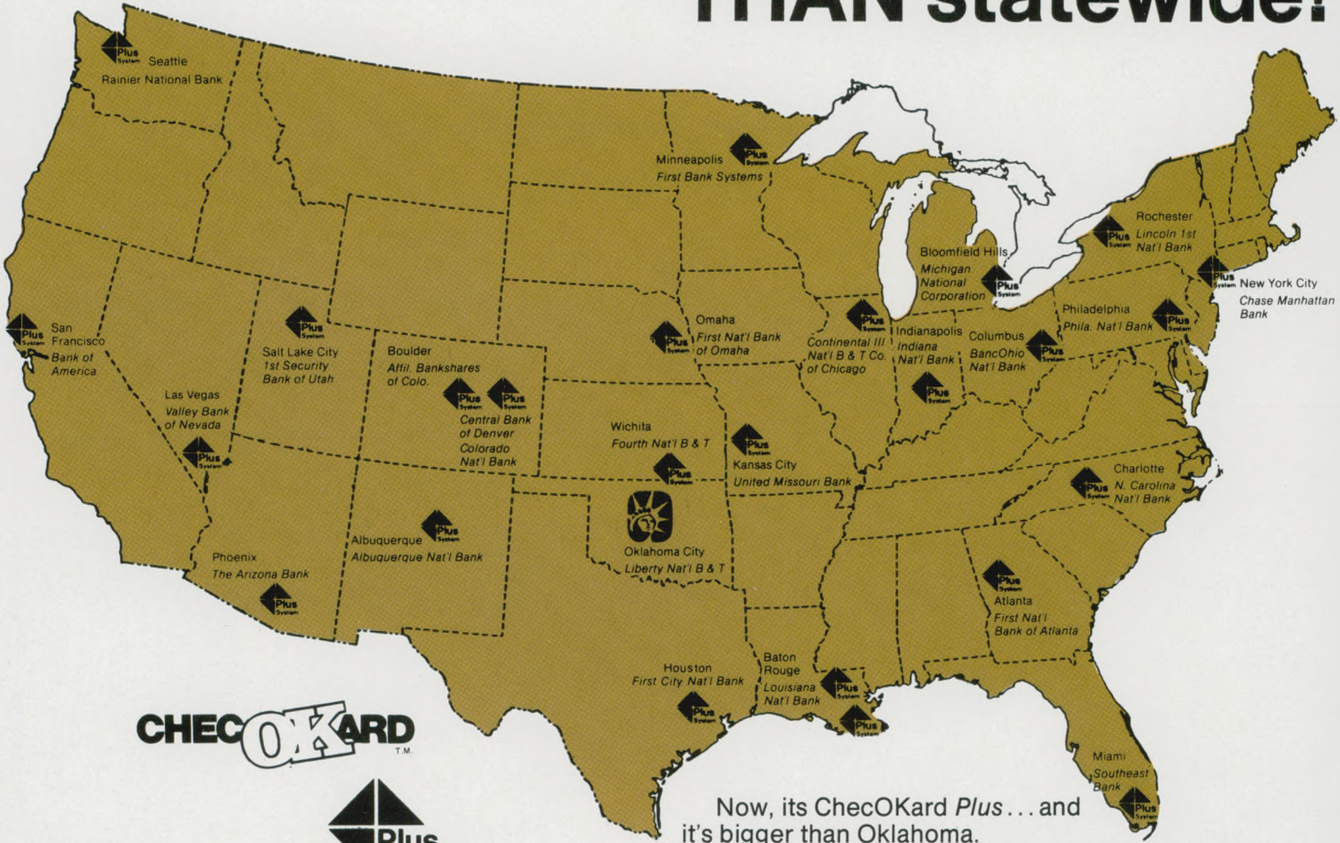

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MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

Volume 78, No. 5 **May, 1982**

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EDITORS

Ralph B. Cox ..... Publisher

Lawrence W. Colbert Assistant to the Publisher

Pamela Walsch Assistant Editor

Rosemary McKelvey .. Editor

Jim Fabian .... Senior Editor

Eleanor Wainwright Editorial Assistant

MID-CONTINENT BANKER Editorial/Advertising Offices

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

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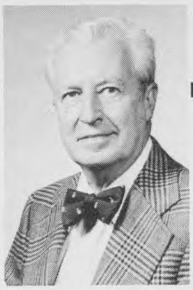
Convention Calendar

May 17-18: ABA Insurance Industry Conference, Washington, D. C., Washington Marriott.
May 17-19: Bank Administration Institute Bank Tax Conference, New Orleans, New Orleans Hilton.
May 19-21: Kansas Bankers Association Annual Convention, Wichita, Wichita Royale Hotel.
May 20-23: Mississippi Bankers Association Annual Convention, Biloxi, Broadwater Beach/Biloxi Hilton Hotels.
May 23-26: ABA National Marketing Conference, San Francisco, Hyatt Regency Hotel.
May 23-28: ABA National Commercial Lending Graduate School, Norman, Okla., University of Oklahoma.
May 23-28: Bank Marketing Association Essentials of Bank Marketing School, Boulder, Colo., University of Colorado.
May 23-28: Bank Marketing Association School of Trust Sales/Marketing, Boulder, Colo., University of Colorado.
May 23-June 4: Bank Marketing Association School of Bank Marketing, Boulder, Colo., University of Colorado.
May 29-June 3: AIB Leaders Conference, Dallas, Hyatt Regency Dallas.
May 30-June 4: Independent Bankers Association of America Bank Executive Development Seminar, Little Rock, University of Arkansas.
June 2-4: Association for Modern Banking in Illinois Annual Convention, Bloomingdale, Indian Lakes Resort.
June 6-8: Illinois Bankers Association Annual Convention, Stouffer's Riverfront Towers, St. Louis.
June 6-9: Bank Administration Institute Strategic Planning Conference, Chicago, Chicago Hyatt.
June 6-11: Louisiana Banking School for Supervisory Training, Baton Rouge, Louisiana State University.
June 6-18: Stonier Graduate School of Banking, New Brunswick, N. J., Rutgers University.
June 7-10: ABA Risk and Insurance Management in Banking Seminar, Philadelphia, Bellevue Stratford.
June 8-18: Dealer Bank Association 1982 Public Finance Institute, Ann Arbor, Mich., University of Michigan.
June 10-11: Dealer Bank Association Municipal Traders Seminar, Williamsburg, Va., Colonial Williamsburg.
June 10-12: New Mexico Bankers Association Annual Convention, Albuquerque, Four Seasons Motor Inn.
June 13-16: ABA National Operations and Automation Conference, Los Angeles, Los Angeles Convention Center.
June 15-18: Indiana Bankers Association Annual Convention, French Lick, French Lick Golf and Tennis Resort.
July 1-2: Dealer Bank Association Financial Futures Seminar, San Francisco, Hotel St. Francis.
July 11-16: ABA National Advanced Agricultural Banking School, Ames, Ia., Iowa State University.
July 18-24: ABA National School of Bank-Card Management, Evanston, Ill., Northwestern University.
July 25-29: Consumer Bankers Association Graduate School of Retail Bank Management Alumni School, Charlottesville, Va., University of Virginia.
July 25-Aug. 6: Bank Administration Institute School for Bank Administration, Madison, Wis., University of Wisconsin.
July 25-Aug. 6: Consumer Bankers Association Graduate School of Retail Bank Management, Charlottesville, Va., University of Virginia.
Aug. 1-6: ABA National School of Real Estate Finance, Columbus, O., Ohio State University.
Aug. 1-13: Consumer Bankers Association Graduate School of Retail Bank Management, Charlottesville, Va., University of Virginia.
Aug. 10-13: Central States Conference Prochnow Graduate School of Banking Seminar for College Faculty, Madison, Wis., University of Wisconsin.
Aug. 16-21: Bank Marketing Association Essentials of Bank Marketing School/Midwest Extension, Lake Forest, Ill., Lake Forest College.
Aug. 16-27: ABA National Graduate Trust School, Evanston, Ill., Northwestern University.
Aug. 18-27: Conference of State Bank Supervisors School for Senior Personnel, Norman, Okla., University of Oklahoma.

The Banking Scene



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

Theories Relating to Yield Curves

THE ECONOMY has been experiencing a negative-sloping yield curve for several years. That is, rates of interest charged for short-term funds have been higher than rates charged for commensurate risks for the longer term.

There are a number of theories on why an interest-rate structure may be positive or negative. One thing these theories have in common — they revolve around the idea of risk due to uncertainty and expectations people hold regarding return on investment.

In the typical elementary textbook, the subject is illustrated by an almost straight line at a 45-degree angle extending from the lower interest rate for the short term to the higher interest rate for the long term. In the real world, there are imperfections in the market and some of the real rates of return are "kinked" for a number of reasons, such as different eligibility of instruments for various sectors, including financial institutions and individuals.

One thing theories about interest-rate structure have in common — they revolve around the idea of risk due to uncertainty and expectations people hold regarding return on investment.

One theory of the interest-rate structure is the segmented-market theory. It applies to certain investors who are interested in specific maturities and instruments and therefore are relatively insensitive to yields from other types of investments.

In theory, for example, a life insurance company shouldn't be interested in very short-term rates because the policies it sells are long-term liabilities. In matching these assets to liabilities, the firm is developing building blocks of investments to mature at the time the policies normally will mature. Any money-market desk manager in a major bank knows that this may be a good theory, but one that isn't followed by many insurance firms.

A second theory may be described as the pure-expectations theory. It was proposed first by Irving Fisher in 1930. It assumes that investors are indifferent in risk assumption and that they buy and sell assets of varying maturities until the expected yield of all their investments is equal over the planning period. Thus, under the pure-expectations theory, investors are likely to prefer debt of whatever maturity that will maximize the expected rate of return over the investment horizon.

Still another theory is described as liquidity preference. This, too, goes back to the 1930s, and has been identified with John Maynard Keynes' "general" theory. Under the liquidity-preference concept, investors tend to ignore the risk-aversion and risk-premium concepts. The theory assumes that investors will undertake differing investment techniques until the expected yields for holding the investment are equal across the various alternative possibilities for the time period in mind.

The concept of liquidity preference relates to bankers' experience with primary and secondary reserves. In the preceding theories, two schools emerge. One deals with current-dollar data or rates as published, and the other deflates data for anticipation of implications of taxes, capital gains and inflation; that is, constant dollars or pure rates. This is the purist school.

Then there is the preferred-habitat theory. In some ways it parallels the liquidity-preference theory and holds that risk-adverse investors will restrain maturities of their investments to a point no further than their own investment horizon, with the possibility of some, however, anticipating the sale of a discount security at a premium. The preferred-habitat theory is identified with Modigliani, who advanced the theory in 1966.

The underlying assumption of the preferred-habitat theory is that risk premiums are required to motivate investors to contract the maturity of their debt portfolios to a period less or shorter than the investment horizon. Thus, a reinvestment risk exists when one has short-term investment that is not matched with the longer-term investment horizon. This was evident during the last several years when bankers were concerned about mismatches of their assets and liabilities maturities.

If the yield curve stays positive, bankers will be grateful, since they borrow "short" and lend "long." If the curve slopes negatively, banks again will be faced with substantial real discounts in their long-term investments.

Some sub-theories tend to deal with more sophisticated investments. One is called the coupon-issues-and-term-structure theory. It applies to investments that are receiving multiple payments prior to maturity in the form of quarterly or semiannual coupons or monthly payments on mortgages. In this context, some features, such as call provisions or prepayment penalties on payments, affect the question of what the maturity is when it is subject to be called. It will be called when the current yield of similar types of securities is considerably lower than the face interest rate on the original instrument.

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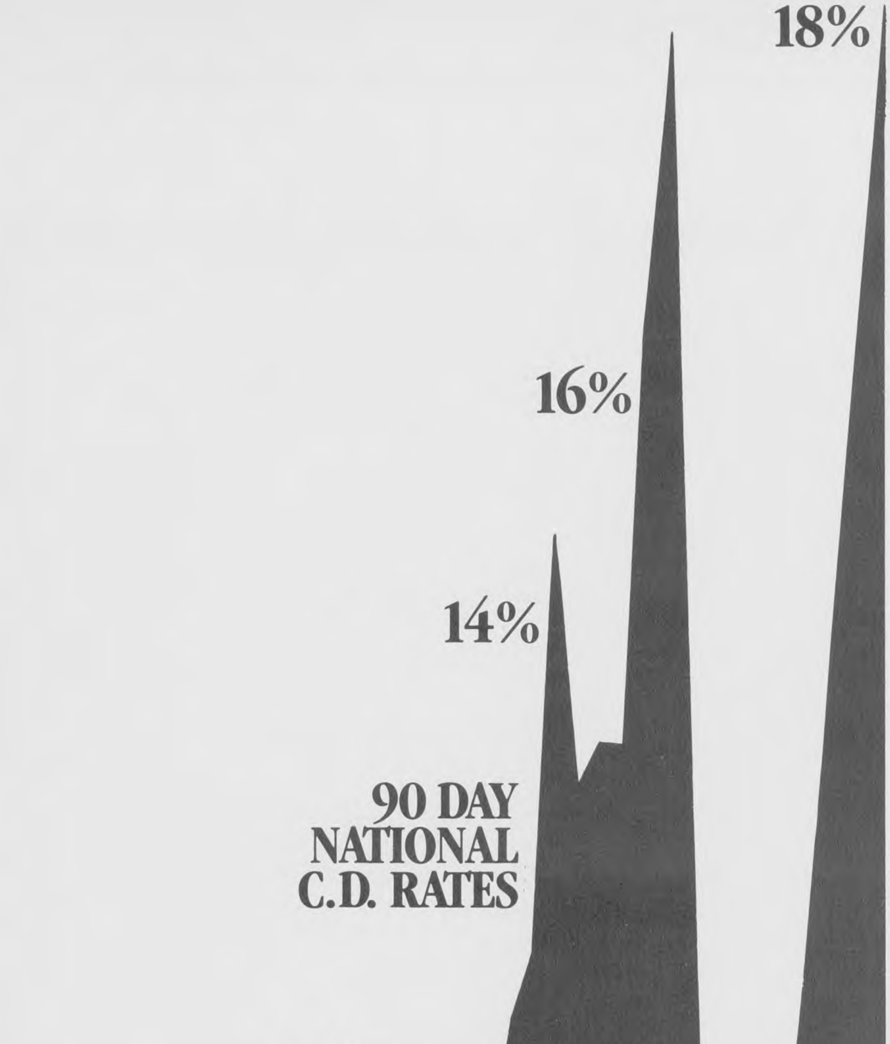
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Bipartisan Action Needed Now on Economy

IF ONE of the lobbying strategies that works most effectively in Washington can be reduced to a single statement, it's this: Create a widespread feeling that without immediate action a tragedy or catastrophe will result. Often, the major barrier to getting anything accomplished in Washington is not so much political opposition as it is the general inertia of the federal government and legislative process. Scare tactics frequently are used because the authority to make decisions is so widely diffused, and political interests so evenly balanced, that much of the time nothing less than the threat, or apparent threat, of a crisis can evoke a response.

Because of the almost unique partisan divisions in Washington now — a Democratic House, a Republican Senate and a conservative Republican Administration — this bias toward institutional inertia has been reinforced. The present structure can be likened to a political Bermuda triangle: After entering the system, many needed proposals are likely to simply disappear.

All three sides are playing a waiting game, and the game will continue until events force officials to take their attention off day-to-day political posturing and onto the serious problems that sparked the events.

Without a doubt, efforts to balance the federal budget have fallen victim to this waiting game. Each side hopes to force the other into making the politically perilous decisions that today's economic circumstances require.

Within the next few weeks, however, there will be a chance for action to pick up on this issue.

By about mid-May, the Administration will have to ask Congress to extend the current federal-debt ceiling, which stands now at $1,079,800,000,000. This psychologically devastating event should prompt the Administration and Congress into focusing on the fundamental economic question of our times: reaching a bipartisan consensus on how to reduce the federal deficit and achieve overall stability in economic policy.

At issue here is the direction of the U. S. economic system for the remainder of the century. Either the U. S. will return to a high rate of economic growth or it will not. To a large degree, the direction will depend on the federal deficit's decline or growth.

From the viewpoint of promoting economic growth, three principles drawn from the national experience in the last two decades should be at the heart of the debt-ceiling debate.

At issue here is the direction of the U. S. economic system for the remainder of the century. Either the U. S. will return to a high rate of economic growth or it will not. . . . The direction will depend on the federal deficit's decline or growth.

On one side, most observers have concluded that 10s of billions of dollars of expenditures on programs in the budget that were designed with the best intentions in mind either were not meeting their objectives, or were meeting them in such a way that the costs outweighed benefits.

At the same time, there was the realization that many provisions of the federal-tax system, a hodgepodge of relics from past political concerns with social and economic problems, were in themselves seriously impeding economic growth. The government must take some of its straws out of the nation's capital pool so that the capital could be put to more productive use, economic observers concluded.

Finally, the whole system was jerry-built, and so there was no way to control large and increasing federal deficits. By restoring rationality to the system, the deficits could be controlled and lessened, thus leaving more of the national savings pool for more productive use.

In all, it was recognized that this approach would be long, painful and in constant danger of being sacrificed to political expediency.

The ABA months ago joined with other trade groups in urging the Administration to return to the economic principles that President Ronald Reagan espoused in the years leading to his election to the White House.

Prolonged high interest rates are creating an economic and financial crisis in this country, trade groups told the President. If interest rates are to be brought down, immediate action must be taken to reduce massive deficits. More than anything else, it is the specter of an overwhelming volume of deficit financing that haunts housing and financial markets and poses the threat of economic and financial conditions not seen since the 1930s.

Given the circumstances, there is no alternative to slowing down all spending, not excluding defense and entitlement programs; and, if necessary, deferring previously enacted tax reductions or increasing taxes that have the smallest impact on capital formation. To have the necessary impact on financial markets, these actions should be taken prior to any increase in the ceiling on the federal debt.

In times of past crises in this nation, our political leaders have come together in a bipartisan manner to develop effective solutions in the common interest. Our nation is at such a time now. There will be no political winners if the Administration and Congress fail to accommodate differences and cooperate in dealing with current serious economic problems. The threat to our nation demands prompt, effective and bipartisan action.

The ABA is committed to fostering this cooperation. It recognizes that politically motivated bidding wars that have led us to the danger all of us are in today must be avoided.

The White House and a divided Congress must move together now.

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

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DIDC Action March 22 Decried By ABA and Independents

THE ACTION taken March 22 by the Depository Institutions Deregulation Committee (DIDC) creating a new short-term CD favorable to S&Ls brought cries of dismay from banking organizations. The new instrument is described in the accompanying Fed article.

The ABA described the new CD as "a fraud," adding, "All it guarantees is that interest rates for borrowers will be higher than they otherwise would be, and all it benefits is the securities industry.

"The new CD will not be competitive against money-market funds, but rather will compete only with an institution's existing six-month money-market CD. This new instrument will not stem the flow of funds out of depository institutions into money-market funds.

"The differential on such an account will mean that thrifts will become even more reliant on short-term, interest-rate-sensitive funds, at a time when they need to stretch out the maturity and stabilize their deposits. This short-sighted action only postpones, and possibly exacerbates, the day of reckoning for these institutions.

"However, the differential favoring the thrift institutions may lead to a shift in consumer deposits out of banks into thrifts. Such a movement could lessen the liquidity of community banks, hurting the small-business person and farmer who rely on such institutions for credit. More than 25% of deposits in community banks (with less than $100 million in assets) is in six-month money-market certificates."

As for the phaseout schedule, the ABA says that if it survives, it will help. However, the association points out, given the DIDC's history of false starts, "We will have to see it working before we believe it."

Willis W. Alexander, the ABA's executive vice president, shot off a letter March 23 to Treasury Secretary Donald Regan, the DIDC's chairman. The letter pointed out that the committee, the day before, accepted empirical evidence and logical arguments in establishing a phaseout schedule for interest-rate controls, but then ignored the same evidence and arguments by refusing to create a free-market deposit instrument. Mr. Alexander told Secretary Regan that interest costs to borrowers will continue to be high; problems of S&Ls and mutuals will continue to mount, and market share of depository institutions will continue to decline.

"Bankers cannot, and will not, ignore the market," Mr. Alexander's letter warned the Treasury Secretary. "Your lack of willingness to permit bankers to respond to market challenges will force bankers to use any and all competitive alternatives, no matter how cumbersome, including retail-repurchase agreements and 'sweep' accounts, to compete. Neither holds deposits, but both help banks retain their customers. Ironically, if you fail to decontrol in this respect, you will shrink the size of the financial sector you are mandated ultimately to control."

(Continued on page 106)

Fed Answers Reg Questions

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

New Deposit Categories

EFFECTIVE May 1, 1982, two new categories of time deposits were authorized by the Depository Institutions Deregulation Committee. General requirements of these deposits are listed below.

a) • 91-day maturity
• $7,500 minimum denomination
• Rate for banks at 25 basis points below the 91-day Treasury bill rate (auction average on a discount basis) at the most recent auction
• No compounding of interest allowed
• May be issued in either negotiable or nonnegotiable form
• Early withdrawal penalty equal to all earned interest
• Account available to all depositors

The 91-day Treasury bills are auctioned weekly, normally on Monday, with the rate announced by the Treasury and widely publicized through various papers. Rates for deposits become effective the day following the auction.

A 25-basis-point differential for savings and loans will be in effect until May 1, 1983. This differential will not be in effect during the first year, however, whenever the auction average is at or below 9% for the four weekly auctions immediately prior to the date of deposit.

b) • 3½ year or more maturity
• No interest-rate ceiling
• No minimum deposit required but the institution must offer a $500 deposit
• Additions may be made to the account during the first year, at the option of the institution, without resetting the maturity of the account
• May be issued in either negotiable or nonnegotiable form
• Early withdrawal penalty equal to six months' interest

The maturity of this new category will be reduced by one year annually. Additionally, the minimum maturity of the small-savers certificate (SSC) will be adjusted downward at the same time. Beginning May 1, 1982, the maximum maturity of SSC accounts will be reduced to less than 3½ years.

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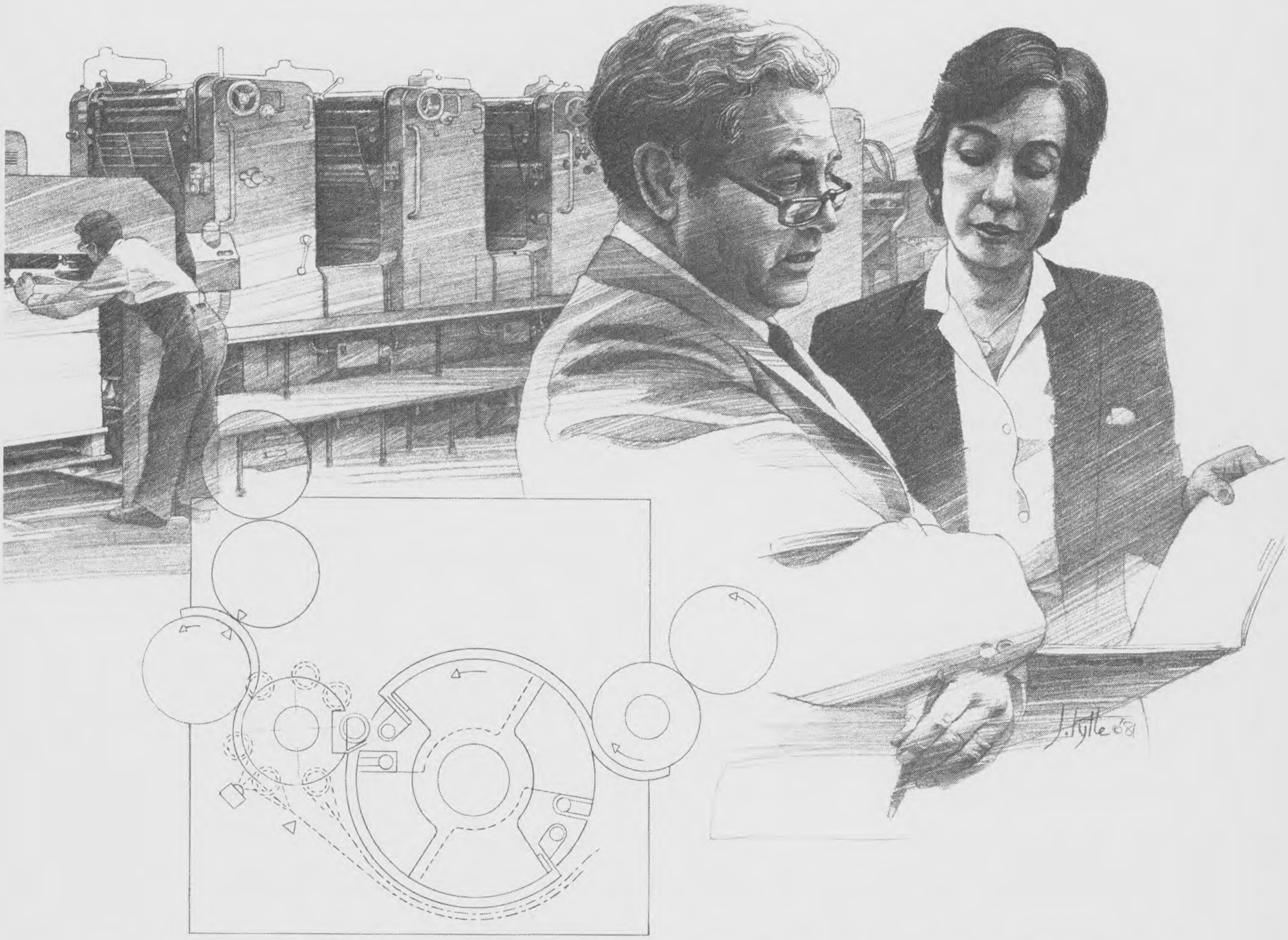

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Survey of 'Headhunters' Reveals—

Most in Demand: Commercial Lenders; 'Hot Spot' for Bankers: Sun Belt

THE commercial-lending category and the Sun Belt are the "hot spots" in banking today. Also, high moving and housing costs have slowed the movement of bank executives from one area to another. However, some banks — if they want and/or need certain people badly enough — will provide compensation for moving expenses and may even help those executives absorb losses incurred in trading homes.

Information such as this came out of a bank-personnel survey of executive-search firms made by MID-CONTINENT BANKER editors.

In the survey, these firms, sometimes referred to as "headhunters," were asked about supply of and demand for bank personnel, particularly in the executive category; mobility of bankers; what sections of the country offer the best opportunities to bankers; salary ranges and fringe benefits, including paying moving expenses.

Who's in Demand? Among those pointing to commercial lending officers as being in greatest demand in commercial banking is Linda Blue Smith, president, Tom Hagan & Associates, North Kansas City, Mo. She says she finds the commercial loan officer with large credit experience, including a formal statement-analysis background, to be needed the most. She says even medium-size suburban banks are looking for lenders with formal credit training. In many urban areas, Ms. Smith points out, a lending officer who has come up "through the ranks" without benefit of management training and a college education is being rejected.

Also in demand, according to Ms. Smith, are operations officers with noses for the bottom line and track records as troubleshooters. Many multi-bank HCs have not developed pools of experienced operations officers and consistently must go outside their organizations to fill operational openings.

John W. Worsham, head of John W. Worsham & Associates, Inc., Houston, concurs that the greatest demand is for commercial loan officers, preferably those whose experience includes formal training in a large bank's credit department. He adds that the greatest executive needs in Texas are for experienced bank officers who can organize and manage de novo banks.

For the past two years, says William L. Walker, president, Wm. L. Walker Personnel Consultants, Inc., Houston, he has noticed that the greatest need is for commercial loan officers, particularly with major wholesale-bank training. Texas, for example, he comments, probably is the hottest banking area in the nation because of its dynamic economy and low unemployment rate, and banks there continue to be understaffed in their commercial-loan ranks.

Commercial lenders with emphasis on energy lending are needed in Oklahoma, says Gary D. Koehn, consultant with Koehn & Associates, Oklahoma City.

This demand, Mr. Koehn continues, applies not only to lending officers, but to support personnel in credit analysis and loan review. He points to quality operational officers — including experienced personnel professionals — as the second most-needed category. He says many of his bank clients are projecting a 10-12% growth in total staff during 1982.

Carol Park, banking specialist with Fanning Personnel of Kansas City, says demand for bankers with successful track records is nearly insatiable and sees the biggest demand in the commercial-lending area and in CEO positions that require a strong commercial background.

"We find," continues Ms. Park, "that many banks still regard formal training in a large bank, e.g., as a credit analyst, as an entree to the platform."

Areas in which clients of T. Don Clark, Houston personnel-services firm, are experiencing the greatest shortfall are:

- Middle-market commercial lenders with business-development skills.
- Energy lenders with or without

Factors Affecting Personnel Shifts

1. Commercial lending officers are in greatest demand.
2. Consumer lending officers are in least demand.
3. Banking is revolving into a technology-oriented service industry. Thus, bankers with entrepreneurial skills and service/technology backgrounds will be running more and more banks in the future.
4. The Sun Belt, particularly Texas and Oklahoma, has the greatest need for bankers.
5. Bankers are less mobile than formerly because of high housing costs.
6. Bank personnel from the North and Northeast appear to be the most mobile.
7. To obtain certain types of officers, some banks offer inducements such as payment of moving expenses, mortgage differentials, sometimes even realtors' fees.
8. Salary opportunities are lower in the Sun-Belt banks than in midwestern and northern banks.
9. Heated competition for talented bankers is causing significant disruption in traditional salary programs.
10. Officer salaries tend to be directly proportional to the size of a bank and, to a lesser extent, to the size of its community.

petroleum-engineering degrees.

- Construction lenders with solid experience in interim lending on commercial projects.

In addition to the above areas, says the firm's president, T. Don Clark, expanded needs exist for:

- International lenders with particular geographic specialization.
- Cash-management specialists having both marketing skills and state-of-the-art technology.
- Strategic planners with successful backgrounds in leading financial organizations.

Large HCs in Texas, Mr. Clark points out, try to fill CEO roles in member banks internally. The pipeline of prospective candidates internally, however, he continues, occasionally runs dry, and aggressive bankers to run small to medium-size banks remain in demand. Because an inventory of potential CEOs is needed, he adds, the need for executive-vice-president-level candidates in these same-size banks is expanding.

D. Frank Marentz, personnel consultant manager, Marentz & Associates, Houston, says demand in banks, particularly in the executive category, is for people with a lot of bank experience, formal credit training and background in commercial lending. Mr. Marentz adds that such a person also should have staff or administrative experience, thus demonstrating his management talent.

Not all the executive-search firms agreed that commercial-lending personnel are the most wanted in banks. For instance, Donald S. Atkinson, principal in the firm of Atkinson & Associates, Cincinnati, says the greatest demand currently in banks of all sizes is information-processing officers. As Mr. Atkinson explains, "Banking rapidly is becoming a technology-based service industry, and there is a great need for management personnel who can evaluate, plan and implement these services. These people are not programmers, but business managers who can understand and manage these technologies. Even small banks are implementing in-house computer systems. Many bank-package and turnkey systems are available; so the need is not for people to write programs, but to manage the computer resource."

Reiterating that banking is revolving into a technology-oriented service industry, Mr. Atkinson believes a great deal of earnings growth in the future will depend on fee income.

"Although officers with a lending background will continue to be important factors in senior management of banks," he continues, "a new breed of bankers with entrepreneurial skills and service and technology backgrounds will be running more and more banks in the future."

Allen MacWright, C.P.C., president, Select Finders Corp., West Caldwell, N. J., says categories most in demand are marketing directors, commercial loan officers, EDP auditors and trust-investment people.

New-business-development officers with experience calling on Fortune 1,000 accounts are in greatest demand, according to Len Adams, C.P.C., vice president/manager, banking division, Kling Personnel Agency, Inc., New York City. He also believes there's a great need for credit-oriented bankers. Unfortunately, he adds, the sup-

Consider Career as Ladder, Advises One 'Headhunter'

A "SCENARIO" for the climb up the executive ladder of commercial banking was described by one respondent to a banking-personnel survey made by editors of MID-CONTINENT BANKER. (See the accompanying article on this survey.)

"Career planning perhaps is the most significant aspect not only of the banking industry, but for all professional personnel," said W. J. La Perch, president, Business & Professional, a Los Angeles executive-search firm.

"In general," he continued, "we suggest that a person consider his/her career as a 'ladder' with well-defined rungs. Those rungs should each have a job title and salary level clearly inscribed thereon. In terms of time to achieve each rung, a reasonable limit would be three-five years for each major step.

"With few exceptions, the critical years are those between 30 and 40. What one does prior to 30 is to gain a technical background in his/her career field. Short of marrying the boss' daughter/son, it's highly unusual to make a substantial impact before reaching 30. However, it is during this period that a solid platform to use as a springboard should be carefully crafted.

"Consideration must be given to continuing education. An MBA from a respected school is most desirable if one can be obtained within the time constraints of earning a living. There are many creative MBA programs that integrate well with career goals of the professional.

"Returning to our concept of rungs on a ladder, I advise being extremely conscious of progress toward each rung. If there is any possibility the next rung will not be reached, cut your losses and move onward to a new job.

"In terms of interpersonal relationships, the importance of choosing a winner and aligning oneself with that winner is of major importance. For every person who succeeds on pure merit, there are a hundred who have succeeded by having an appropriate 'rabbi.' This is neither good nor evil. It is a fact of life. This does not eliminate the need to have talent. It means that your talent is recognized by someone who is willing, symbiotically, to reward your talent because it makes him/her look good. Incidentally, if your 'rabbi' gets shot by the other team, move on; for the ricochet will zap you dead equally!

"Finally, the myth that hanging around one job long enough (synonym — stability) is a virtue is the greatest mistake anyone can make. A recent article in the Los Angeles *Times* confirms what headhunters have known for a long time. Mobile personnel fare better in the marketplace than do those who stay on one job. As to the reward for staying in a rut, our files overflow with résumés of the stick-in-the-mud who stayed too long and was caught in a merger, acquisition or Chapter 11 and loyally went down with the boat or was ejected into the job market at a time when least prepared for it; while wiser heads departed the sinking ship long before — in fact, they may have been the ones who caused the ship to sink — but they got out before the rose could be pinned on them."

New Multi-Bank-HC Law in Illinois Influences Personnel Situation

THE CURRENT SITUATION in Illinois is influenced strongly by authorization of multi-bank HCs, which became effective last January 2, says John S. Dean, vice president/banking, S-H-S International, Wheaton, Ill., in answer to a bank-personnel survey made by MID-CONTINENT BANKER (see accompanying article).

According to Mr. Dean, the impact of this change from Illinois' historic unit-banking setup has been only slightly modified by the uncertainties of the current economic climate. Well-managed banks, he continues, are actively involved in positioning themselves for this new era in Illinois banking and for the increased competition that will result from potential deregulation of financial institutions nationally.

One of the principal factors in this positioning process, says Mr. Dean, is the upgrading of personnel. Those banks that now are, or plan to become, multi-bank units usually require much more sophistication in their second-level management and HC administration.

He points out that banks that have decided to remain unit banks or to confine their affiliations to local areas require stronger line officers who can go head-to-head with the larger HCs, which will become unit banks' competition. Demand for strong commercial-lending officers, marketing and business-development people and all types of administrators, he believes, has strengthened considerably because of this widespread upgrading.

ply is not as great as the demand, and so these people are at a great premium. He says their salary ranges are from $30,000 a year on the low side to upward of $60,000, depending on years of experience.

Least Demand. Gary D. Koehn of Koehn Associates points to consumer lending as being least in demand, and he adds this follows a national trend.

Linda Blue Smith of Tom Hagan & Associates, corroborates this, saying, "There is no demand in the (our) metropolitan areas for installment lending or real estate personnel. Demand for ag-loan officers also is soft."

Mobility of Bankers. Relocation issues remain one of the more complex problems facing banks in the recruiting marketplace, T. Don Clark of Houston points out. Equity buyouts, mortgage-rate differentials with varying floors and extending out typically to three years and front-end cash bonuses are all finding favor with banks seeking management-level officers. Because of the significant costs of these and similar programs, says Mr. Clark, more and more of his firm's clients are asking for (1) individuals in their market areas, therefore not necessitating a move, or (2) non-home owners.

Donald Atkinson of Atkinson & Associates says bank personnel now are less mobile than before. He points to high interest rates and slowed housing sales as causing high-quality personnel to be extremely reluctant to make a change that would require a move. According to Mr. Atkinson, some type of mortgage assistance and compensation for moving is almost an essential to get a well-qualified executive to make a move.

John Dean, vice president/banking, S-H-S International, Wheaton, Ill., believes willingness to relocate geographically virtually has disappeared among a majority of middle-level bank executives. Like Mr. Atkinson, Mr. Dean lists the sluggish real estate market and exorbitant mortgage rates as the culprits for this situation, adding that it's financially impossible for many home-owning bankers to move.

Thus, says Mr. Dean, renters currently are the most viable relocation candidates. In addition, an increasing number of younger bankers have spouses who have successful careers, and this complicates relocation.

However, says Mr. Dean, there are attractive fringes offered senior executives and individuals with highly unusual specialties. These inducements, usually attached to salaries that start at $75,000-$100,000, are: payment of actual moving expenses, financing a trip or two for husband and wife to house hunt and, frequently, payment for interim housing in the new location. A few banks also pay modest relocation bonuses to compensate for the extra expense of settling into a new home and new community.

Those bankers willing to relocate may not be able to do so, says Linda Blue Smith of Tom Hagan & Associates, because they can't sell their homes.

Most Mobile

Bank personnel from the North and Northeast appear to be the most mobile, says Gary Koehn of Koehn & Associates. Those from the South, he continues, are the most difficult to move without some liberal moving and relocation concessions.

Banks in Oklahoma (the Koehn firm is in Oklahoma City) have begun to address the need for special inducements for executives they're recruiting, Mr. Koehn continues. All banks pay moving expenses, and, usually, an executive and his family are allowed two or more trips for house hunting at the bank's expense. In addition, a 30-day living expense is fairly common. The most difficult problem, he points out, pertains to home-mortgage rates and current residences. Some programs include substantial front-end bonuses, matching current-mortgage amount and rate, mortgage at 2½ times the annual salary at a single-digit rate and mortgage money available at

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below market for the purchaser of the executive's present home.

John W. Worsham of John W. Worsham & Associates says bankers in depressed areas outside his state (Texas) appear eager to consider Texas banking opportunities, but Texas bankers are hesitant in considering a move within the state if salary incentives would be wiped out by the expense of relocating. The principal concern, continues Mr. Worsham, is the differential in mortgage rates in bankers' current situations as opposed to the cost of money that might be available to them should they move. The larger bank HCs are aware of this situation, and most of them have packages that resolve this problem, at least to some extent, at the vice-presidential level and above.

In certain situations, continues Mr. Worsham, relocation packages (particularly for member banks within large bank HCs) contain provisions for absorbing losses in trading houses and, in most instances, will provide for moving expenses.

Allen MacWright of Select Finders Corp. says fringe benefits offered to well-qualified individuals are a month or two living expenses while looking for a new home, use of a car, closing costs and legal fees and, in rare cases, compensation for losses in trading homes.

William L. Walker of the Wm. L. Walker firm says that to attract bankers from the outside, larger banks pay a front-end bonus (to not upset their existing loan officers' salary structures), moving expenses, sales commission to the realtor, a mortgage differential splitting the old and new rate (lower sometimes) and prepaying the new closing or selling costs. He points out that smaller banks cannot offer these inducements.

Without a doubt, says Carol Park of Fanning, the biggest obstacle to relocation is high mortgage rates. However, she sees a trend indicating bankers are more willing now than a year ago to relocate, partly perhaps because there appears little hope for a short-term drop in interest rates. A more significant factor, she points out, may be that many banks have adjusted to high interest rates and now are offering packages to help pay for relocation costs. Some banks offer "front money," which is paid immediately on hiring and covers real estate fees, mortgage and certain housing costs. This, says Ms. Park, is over and above regular moving expenses. Other banks, she says, offer additional income on an annual basis, ranging from two to five years, to help absorb the expense of an employee's new higher mortgage.

D. Frank Marentz of Marentz & Associates says banks are compensating executives for moving expenses in the following areas: (1) expenses for going to banks for interviews; (2) temporary-quarters expenses once executives are hired; (3) costs of moving families and belongings; (4) some help in sales and purchases of homes, usually from one to three points. Mr. Marentz says there's also some help in the mortgage area, if there's an increase in mortgage rates at the new locations. Banks are offering mortgage differentials only to presidents of small banks, executive vice presidents and presidents of medium-size banks and to upper-middle-management candidates in large banks.

"Hot Spots"/Salary Ranges. Most of the executive-search firms that answered the survey agree that the Sun Belt has the greatest need for bankers. Texas and Oklahoma particularly are mentioned because of the energy boom they are enjoying. Other "hot-spot" areas are Louisiana, New Mexico, Arizona and Florida, with California still attractive, but cooling down somewhat because of the high cost of housing there. Rocky Mountain areas continue to have a substantial number of openings for experienced bank officers, although one firm believes the disparity in number of openings between the Sun Belt and Rocky Mountains and cities in the so-called "Snow Belt" appears to be lessening.

One firm agrees that geographic areas with sources of energy or with energy-related business seem to be having the greatest growth and demand for personnel, but, unfortunately, salaries are not high enough to offset the high cost of living in these areas.

One firm singles out the Houston area as having the greatest need for experienced bankers and adds that, at least from the compensation standpoint, opportunities in that city are better than other cities in Texas.

Another firm says salaries remain fairly uniform throughout Texas, with Houston the highest paying, then Midland, Dallas-Fort Worth, San Antonio, Austin, west Texas and east Texas, in that order.

In contrast, the overall banking job market in the Midwest is soft, says another firm, attributing this situation to economic conditions of the last two years. Entry-level, supervisory and middle-management personnel are suffering the most. Banks are said to be extremely selective in their hiring, and there's no rush to fill many vacated positions or to add to staffs in the middle to lower ranks.

On the other hand, the East Coast, particularly in the metropolitan New York City area, according to one of the survey respondents, offers great opportunities for career bankers with good credentials. Salaries are described as "very good" in larger banks, but smaller banks tend to take "homegrown" people and, basically, don't go looking far for their personnel.

Officer salaries in the banking indus-

'Transferred-Talent' Problem

MIDWEST BANKS, in particular larger banks that offer strong and well-planned management and executive-training programs, have — in many cases — been stripped of officers they had planned on for future executive management. So says Bill Doherty, bank-staffing specialist, Bryant Bureau, Prairie Village, Kan., in answer to a bank-personnel survey made by MID-CONTINENT BANKER editors (see accompanying article).

According to Mr. Doherty, the lure of much larger banks in the Southwest and West offering salaries 40%-50% higher, high-volume responsibilities and visions of great futures are enticing, but have not always proved totally beneficial to individuals accepting such offers.

In these Sun-Belt jobs, he points out, compensation is not the problem, but promotions come much slower than elsewhere, and bank officers' duties are tunneled or geared to specific areas that don't allow for broad banking experience and growth. Many would like to return to the Midwest, says Mr. Doherty, but then he asks, "How do we get them back?" Many have established modes of living, based on their salaries, which render them unable or unwilling to return.

"Banks in the Midwest probably will never get the transferred talent back, and so the future key is to train and retain," Mr. Doherty advises.

Bill Rehling has been involved in the finance industry for most of his adult life. In between his 25 years of banking service, he spent 15 years with a finance company, giving him a valuable historical perspective from which to view the changes in today's financial world. His views on banking today:

On Consumer Lending:

"Is the consumer different today than he was five, or even 20 years ago? Not really. But *banking* is different. We're seeing more electronic transactions with EFT networks like our Jeanie® system, which has been very successful. Our delivery system—how we present our products, how we make loans—will change as more automated systems are in use."

On Marketing:

"Today, we're keying in on the banking relationship. We cross-sell new loan customers to become deposit customers, and we try to sell long-term customers on our full-service capabilities. Of course, people will bank where it's convenient and, although it's not easy to convince people to change their habits—picking up the phone, say, instead of going to the bank—our Jeanie® network will build this convenience factor."

On Bank Profitability:

"Unlike many financial institutions, we haven't ceased making the longer-term, fixed-rate loan. I'm hesitant to change long-established patterns that have worked for us since this bank opened a consumer loan department in the 1930s. It is possible that rates can level out. To me, consistency and rate stability are the key factors, rather than the rates themselves."

On Credit Insurance:

"Customers view credit insurance as a definite advantage for themselves. In fact, the bulk of our loans carry it. It's not a difficult sale; our penetration is such that, currently, more than half of our customers are covered. And credit insurance is a double-sided value from our standpoint. It gives us income, and it gives us protection."

On Acceleration:

"We've found Acceleration to be very fair, with prompt claims settlements. The reason we switched to Acceleration was the service factor. Unlike other companies, Acceleration is willing to provide branch support in the form of personnel training. That's very important to us."

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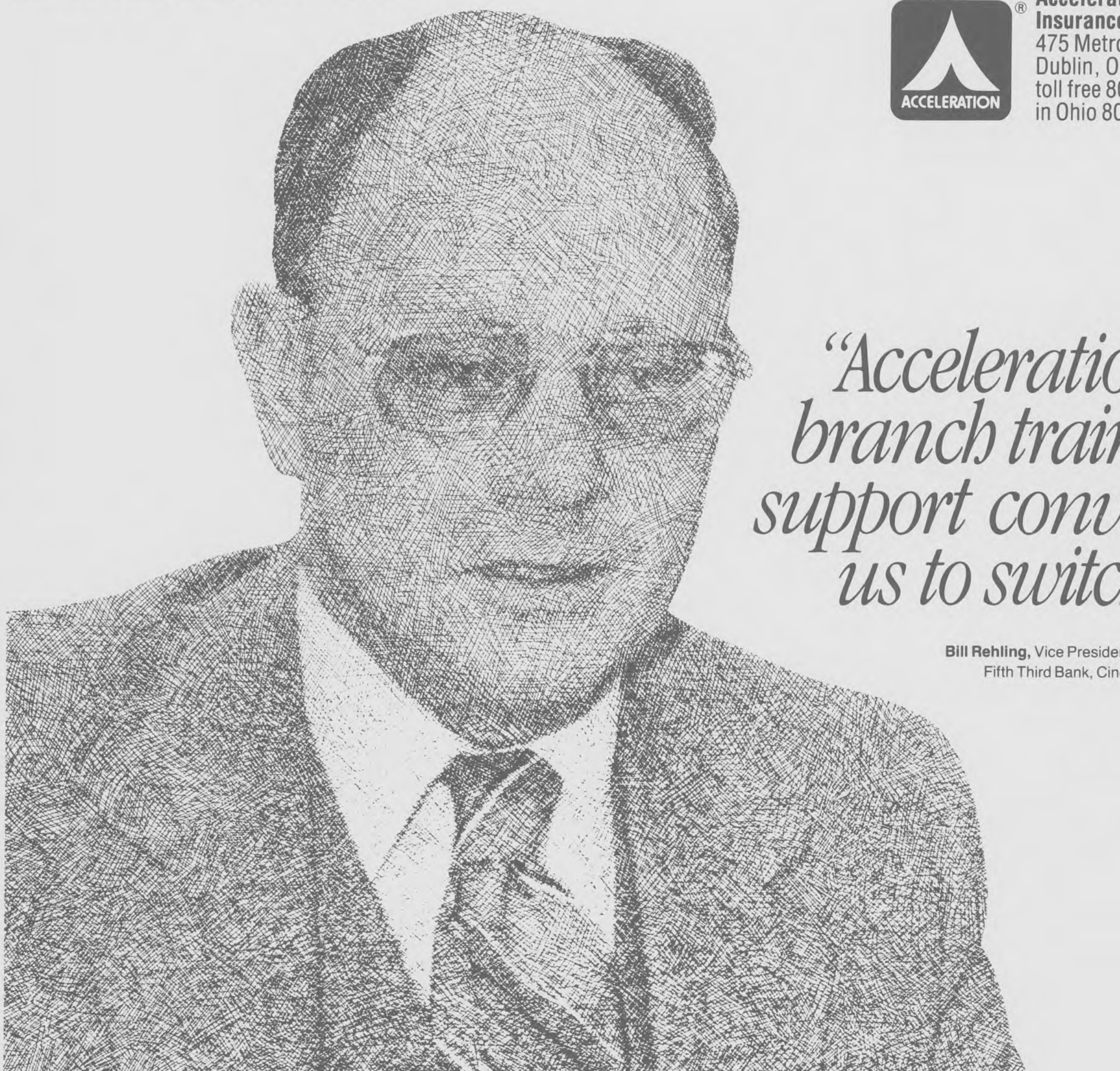

"Acceleration's branch training support convinced us to switch."

Bill Rehling, Vice President, Consumer Lending
Fifth Third Bank, Cincinnati, Ohio

try, according to one respondent, tend to be directly proportional to the size of the bank and, to a somewhat lesser extent, size of the community in which a bank is located. There occasionally are exceptions to this rule, notably large, mature midwestern cities with relatively dormant local economies. Historically, says this firm, Sun-Belt banks have paid significantly lower salaries than have midwestern and northern institutions. This still seems to be true in resort-type areas and smaller cities. The firm's spokesperson adds that it has been interesting to watch salary scales move toward "national" levels in large banks in large cities in the Sun Belt and Rocky Mountains.

This philosophy was echoed by another respondent, who says that because of the high demand in the Sun-Belt states, banks there are able to recruit for lower salaries than are paid for comparable positions in the East and Midwest.

Still another firm points out that as competition for talented bankers heats up, pressure on salaries, both internally and externally, is causing significant disruption in traditional salary programs. A growing number of banks are using incentive bonuses that tie cash awards to achievement of specific goals.

Compensation expectations of candidates, says this firm, are increasing, with basic salary increases in the 20%-25% range becoming the norm when fast-track individuals make job changes.

One "headhunter" says that executive bonuses, stock options, club memberships and automobiles are commonplace offerings to "very senior" executives, and those banks that don't offer these "perks" are at a great disadvantage in recruiting outstanding performers.

Another one says that in general, small and medium-size banks seem to pay somewhat higher salaries than do larger banks, perhaps because of higher profit margins or because of more remote locations in some cases. It also may be due to the fact, says this firm, that smaller banks frequently look for generalists with broad exposure to all phases of banking rather than for specialists from large financial institutions.

However, another recruitment firm doesn't agree with the above statement. This one says current demand and openings are not limited to a particular size bank, but salary ranges increase with bank size, as does the bank's willingness to participate in liberal relocation allowances. Smaller banks, for the most part, says this firm, are unwilling or unable to compete in salaries and relocation allowances and find themselves accepting lesser-qualified, lower-salaried candidates from local markets. Then, they develop those persons for the positions being filled. Generally speaking, the firm continues, the larger the bank, the higher the salary range and the more such a bank is willing to search outside its immediate labor market.

What Lies Ahead? As for the future, says Linda Blue Smith of Tom Hagan & Associates, "I believe the trend of a more sophisticated, well-educated banker will continue. With the volatility of regulatory changes and the onslaught of competition, banks that survive and prosper will do so on the quality of their human resources."

More Selective

John W. Worsham of John W. Worsham & Associates says, "Although we have not seen a reduction in number of job orders being given our firm by client banks, we are noticing banks are becoming much more demanding and selective when considering candidates who have been presented to them by recruiting firms. If a bank is going to pay a fee during a time when it is attempting to reduce expenses, it wants to be assured a prospect is qualified."

There will be no more "seat-of-the-pants" banking, predicts Allen MacWright of Select Finders Corp. Instead, he predicts banks will be more into costing and pricing of services, sophisticated methods and systems analysis and improvement in internal flow of paper, reports, etc.

One executive-search firm representative makes this observation: "I search hard to find the candidate with the skills, education, experience and success record my client bank has requested. And yet, the single most important factor in the hiring decision is the match between the personalities of the employer and the candidate. The most important service I provide my client banks and my applicants is to help them get to know each other as well as possible so their relationship will be long and healthy. Everyone wants to avoid becoming a part of the turnover statistics." — **Rosemary McKelvey, editor.**

Financial Execs in Demand

"Financial services are one of the few areas in which demand for high-level executives has risen," says Windle B. Priem, management vice president, Korn/Ferry International's financial-services division. According to the New York City-based firm's 41st quarterly National Index of Executive Vacancies, released late in March, demand for executives in the financial-services industry rose to 27% of the nationwide executive demand in the first quarter of this year.

"Demands have increased for lending officers in domestic and foreign commercial banks, as well as overseas branches of major commercial banks," Mr. Priem points out. "There is a continued need in major investment banks and major domestic commercial banks for investment bankers within key areas of general corporate finance and mergers and acquisitions."

"This high level of hiring (27% of total demand) reflects the hotly competitive and rapidly changing structure of the entire financial-services field," says Lester B. Korn, chairman of Korn/Ferry/International, said to be the world's largest executive-search firm.

The National Index of Executive Vacancies is based on a quarterly survey of Korn/Ferry International's 750 clients, which are among the nation's largest corporations and nonprofit organizations such as universities and government agencies.

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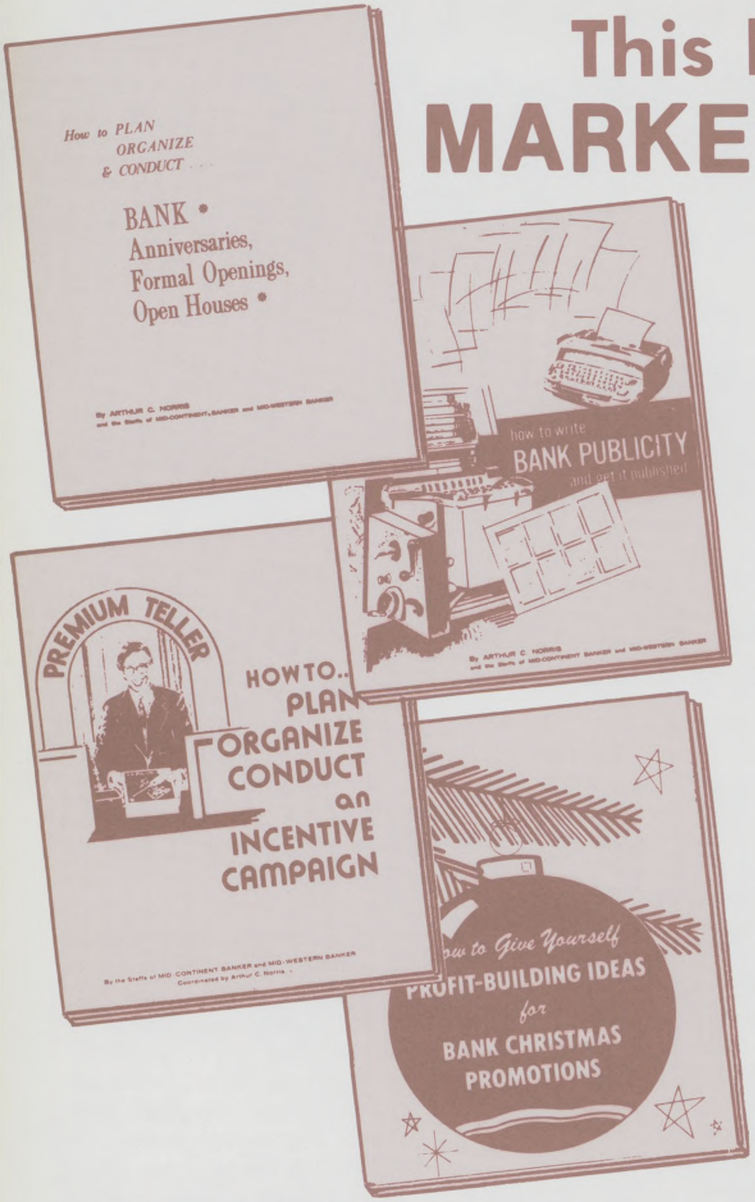

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What Qualities Are Needed To Produce Ideal Personnel Officer?

TAKE a little sociology, psychology, legal and business knowledge, diplomacy and old-fashioned common sense. Mix, and you have the ideal personnel — or human resources — officer in a bank. For convenience purposes, we will use the term personnel as opposed to human resources in this article.

Ask why someone wants to work in personnel, and, more than likely, the answer is, "Because I like to work with people." That's a necessary quality for a personnel officer, but it just is not enough in today's banking world.

One must be cognizant of the many federal laws and regulations now governing businesses, especially banking: Title VII and Equal Pay, Equal Employment Opportunity, Affirmative Action, Age Discrimination, Rehabilitation (hiring handicapped) and Veterans Readjustment Assistance acts. Since one can't possibly know everything about these laws, one must know where and when to go for help.

A good personnel officer must be able to help develop and carry out a wage/salary administration program that's fair and equitable to a bank's employees while allowing the bank to make a profit. The officer must help establish job grades, job ratings, job evaluations and job descriptions; and be the go-between, so to speak, between bank management and staff.

In addition to all these responsibilities, in many banks, small ones in particular, one person may be not only a personnel officer, but also may have to make loans, handle new business or carry out other duties.

To get a perspective on bank-personnel administration, editors of MID-CONTINENT BANKER interviewed Cliff R. Juengst (pronounced "Jenkst"), senior vice president/human resources, Mercantile Trust, St. Louis. Of course, Mr. Juengst works for a large, metropolitan bank, but many of his remarks and much of his philosophy on bank personnel can be applied to banks of all sizes and in any area.

"Current employees are one of the best (hiring) sources," says Cliff R. Juengst, s.v.p./human resources, Mercantile Trust, St. Louis, in accompanying article. Mr. Juengst joined bank in 1961 and has headed personnel department since 1977. He belongs to American Society of Personnel Administration, is on policy committee of School for Bank Administration at University of Wisconsin/Madison and has completed Stonier Graduate School of Banking at Rutgers University/New Brunswick, N. J.

First of all, Mr. Juengst was asked to give the main objective of a personnel department. He answered: "To obtain and to have in place the right people for the right jobs."

However, to accomplish this objective, a personnel officer must have many hiring sources to turn to, and, according to Mr. Juengst, a bank's current employees are one of the best sources. For instance, 25% of Mercantile's hires are referred by other employees. This percentage may go up because the bank instituted a formal employee-referral program early this year.

Under this program, job openings are posted, and employees can refer friends and acquaintances (no relatives) for those jobs. When a person is hired, a cash award is given the person who referred the new employee. Awards are based on types of jobs listed.

For a referral award to be given:

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- Both the employee and the person he/she referred must be actively employed by Mercantile at the time award payments are due.
- The person being referred must present a *fully completed* referral card at the beginning of the *first* interview or when a résumé is presented prior to the first interview.
- The person being referred must make his/her own interview appointment (the employee doing the referring cannot do this).

In addition to employee referrals, Mr. Juengst says, Mercantile looks for new employees at local colleges and high schools for entry-level people, newspaper ads and employment agencies for hard-to-find skills in critical areas, such as data processing, and occasionally executive recruiters — or "headhunters" — at the middle- and top-management levels.

Mercantile probably is different from many smaller banks in that it's located in a busy downtown area and gets from 3,000 to 4,000 "walk-ins" a year looking for jobs. Of course, many of them are not qualified for any type of

(Continued on page 60)

Special Interviews Allow CEO to 'Hear' What Officers Think

IT'S OFTEN been said that the more information a bank CEO has, the better he can run the institution. This theory has spawned innumerable surveys and other types of information quests. Customers usually have been the targets of these information-gathering exercises.

Such a procedure may be putting the cart before the horse, if the CEO isn't conversant with viewpoints held by his officers — the key people he depends on to help him run the institution.

"My officers sometimes tell me they think I'm too accessible to the public, since my office is near the bank's front door." – Frank Spinner.

The days of a CEO being all-knowing in relation to his officers' viewpoints and opinions are a thing of the past, according to Frank K. Spinner, president/CEO, Tower Grove Bank, St. Louis. Mr. Spinner is an outgoing individual who prides himself on being able to put his finger on almost every aspect of his bank's operation. Yet, he came to the realization about a year ago that his officers were not overly communicative at staff meetings. This reticence made him wonder just what they were thinking about the bank and its policies, practices and procedures.

To get a handle on this situation, he contacted Jack Miner, a bank consultant who runs Prestige Services, Inc., Chesterfield, Mo. Mr. Miner has specialized in helping bank CEOs plumb the thinking of bank directors for a number of years and was beginning to develop a similar program for bank officers. When Mr. Miner explained his services to Mr. Spinner, the latter gave the go-ahead for Mr. Miner to conduct in-depth interviews with each of Tower Grove's 41 officers. The object was to develop a profile of officer opinion on a number of aspects of bank operations.

The project is said to be the first of its kind on the banking scene and, as such, it was important that the concept be presented in an unintimidating manner. Thus, when Mr. Spinner announced to his officers that they soon would be asked to participate in lengthy interviews with Mr. Miner, they were assured that everything they told the interviewer would be confidential. Although direct quotes would be used in the report to the CEO, no officer would be identified by name, department or position.

Responses to each question Mr. Miner would ask from his 40-page list would be summarized and digested into a form easily comprehended by the CEO or anyone the CEO chose to see the report.

Mr. Miner's method of beginning an interview is to tell the interviewee what procedure will be followed. He is told that the CEO wants to run his bank better with the help of ideas and comments provided by his officers. This fact should be considered a compliment by each officer, since the CEO actually is asking for officer assistance in running the institution.

Each interview had a four-fold purpose: to construct a profile of the officer's thinking about himself, his bank, his hopes and fears; to provide a vehicle for anonymous communication between officer and CEO, with recommendations made by officers incorporated into Mr. Miner's personal summary; to stimulate the officer to think about things he hasn't thought about prior to the interview; and to compliment the officer by seeking his views.

"Every recommendation made during the interviews will be considered, and officers will be told why some may not be practical to implement."

Interview questions range from the personal (few of which end up in a report) to the philosophic. They are designed to bring out the officer's concept of his place in the bank and his views about bank management.

Mr. Miner encourages CEOs to share the contents of his reports with those who were interviewed, a recommendation Mr. Spinner is following.

Mr. Miner says he attempts to present the full range of comments to each question, omitting nothing but repetitive material. This means that brickbats as well as compliments are included in the report. He says that almost every individual he has inter-

viewed has enjoyed the experience; usually to the degree that the officer thanks Mr. Miner for his considerate — but stimulating — interview technique.

Mr. Spinner says he is extremely pleased with the report he received from Mr. Miner, and he is determined to follow through by considering the recommendations it includes. One of the best ways to promote officer dissatisfaction with management, he says, is to complete an ambitious project of this type and then let it sit on one's desk for a long period. He realizes that officers who participated in the interviews are waiting for feedback.

At Tower Grove Bank, the feedback has begun. Mr. Spinner is holding a series of sessions with all officers to go over the report, after which all officers will have an opportunity to review the written report. In addition, Mr. Spinner intends to sit down with each officer individually to discuss the contents of the report.

As a further follow-through, he intends to conduct one-on-one conversations with each officer at annual-review time in an effort to encourage a continuous flow of communication between officers and himself.

Mr. Spinner says he favored the interview project because he wants his officers to feel free to get whatever is bothering them off their chests. He wants them to realize that communication between officer and CEO is healthy and welcome. It's a vehicle for establishing a sense of confidence in management.

He says he expects some policy changes to result from the report's contents. He also expects to make it clear to officers why certain recommendations cannot be implemented.

Like a military leader who will not ask his troops to do something he would not do, Mr. Spinner took the lead in being interviewed by Mr. Miner. This enabled Mr. Spinner to determine the appropriateness of the questions officers would be asked, and it enabled him to ask Mr. Miner to insert additional questions especially pertinent to Tower Grove Bank's situation.

Among responses gleaned from the report are the following:

- Officers have a new appreciation of the fact that customer service must be top-rate now that the bank has raised its service-charge fees to the point that services are profitable.
- Officers expressed their feeling that promotion must be by merit, not by politics.
- Many said they wished there were more hours in the day so they could catch up with their work.

Among ideas officers suggested in the interviews to improve bank services were the following:

- Install a more advanced computer system.
- Give customer-contact personnel better training.
- Offer types of services that will ensure that the bank retains its customer base in the fact of growing competition.
- Establish a central information file.
- Educate customers about bank services.
- Establish facilities.

The majority of comments made concerning Mr. Spinner himself (who is a relative newcomer to the bank) were generally favorable. Some were concerned that he worked too hard; others thought he made himself too available to the public by occupying an office near the main entrance to the bank.

When asked why they continue to work at Tower Grove Bank, officers responded:

- "I enjoy my work, associates and my boss."
- "It's a family; I couldn't think of being anywhere else."
- "It provides a challenge; it's the best place I've ever worked."
- "It presents an outstanding opportunity. They take care of their people."
- "It's a good place to learn with a family atmosphere that I thoroughly enjoy."
- "My work is recognized and rewarded and it gives me a good positive future."
- "I take pride in the bank and I love the service I can give."
- "I feel this bank is a part of me."

More than 97% of those interviewed said they would not leave the bank if offered the same job at another bank. More than 95% said they would stay at Tower Grove even if they were offered a 10% higher salary by another bank.

Not every comment was as upbeat as those above, a fact for which Mr. Spinner is grateful. He says the report held some, but not many, surprises. Most of the complaints registered from the interviews involved situations that Mr. Spinner has been concerned with, too. Some actions were not taken in the recent past due to an impending merger of Tower Grove into County Tower Bancshares. Now that the merger is completed, Mr. Spinner expects progress to become evident in the area of improving bank capabilities.

And some of this progress will have been instigated by the ideas presented by bank officers through the interviews with Mr. Miner.

"It's a good thing for a CEO to know what his officers are thinking," Mr. Spinner says. "I like a free flow of communication." — **Jim Fabian, senior editor.**

CRA Hikes Cost of Borrowing

THE COMMUNITY Reinvestment Act (CRA) has reallocated some credit into low-to-moderate income areas, but, in so doing, has increased the overall costs of borrowing, according to Fed economist Norman N. Bowsher.

Mr. Bowsher argues that lenders, in an attempt to demonstrate that they are meeting the credit needs of their areas as the CRA requires, must engage in sideline activities that drive up the costs of borrowing and misallocate credit. Such activities include appointing community relations officers, familiarizing employees with legal requirements, holding meetings with community groups and record keeping. In addition, the government incurs costs that burden taxpayers when periodically assessing each institution's CRA performance.

Mr. Bowsher's remarks appear in the February issue of "Review," published by the St. Louis Fed.

Mr. Bowsher says the CRA attacks a problem that scarcely exists. Most creditworthy demands, even in low-to-moderate income areas, he says, already are being met as lenders compete for loans. "Competition among lenders," the author says, "is the borrower's best protection against prejudiced lenders."

- **MGIC.** Donald P. Koziol has been named vice president/national sales manager, MGIC Indemnity Corp., Milwaukee. He is responsible for all headquarters and field sales functions, including product development and marketing. He joined the firm in 1974.

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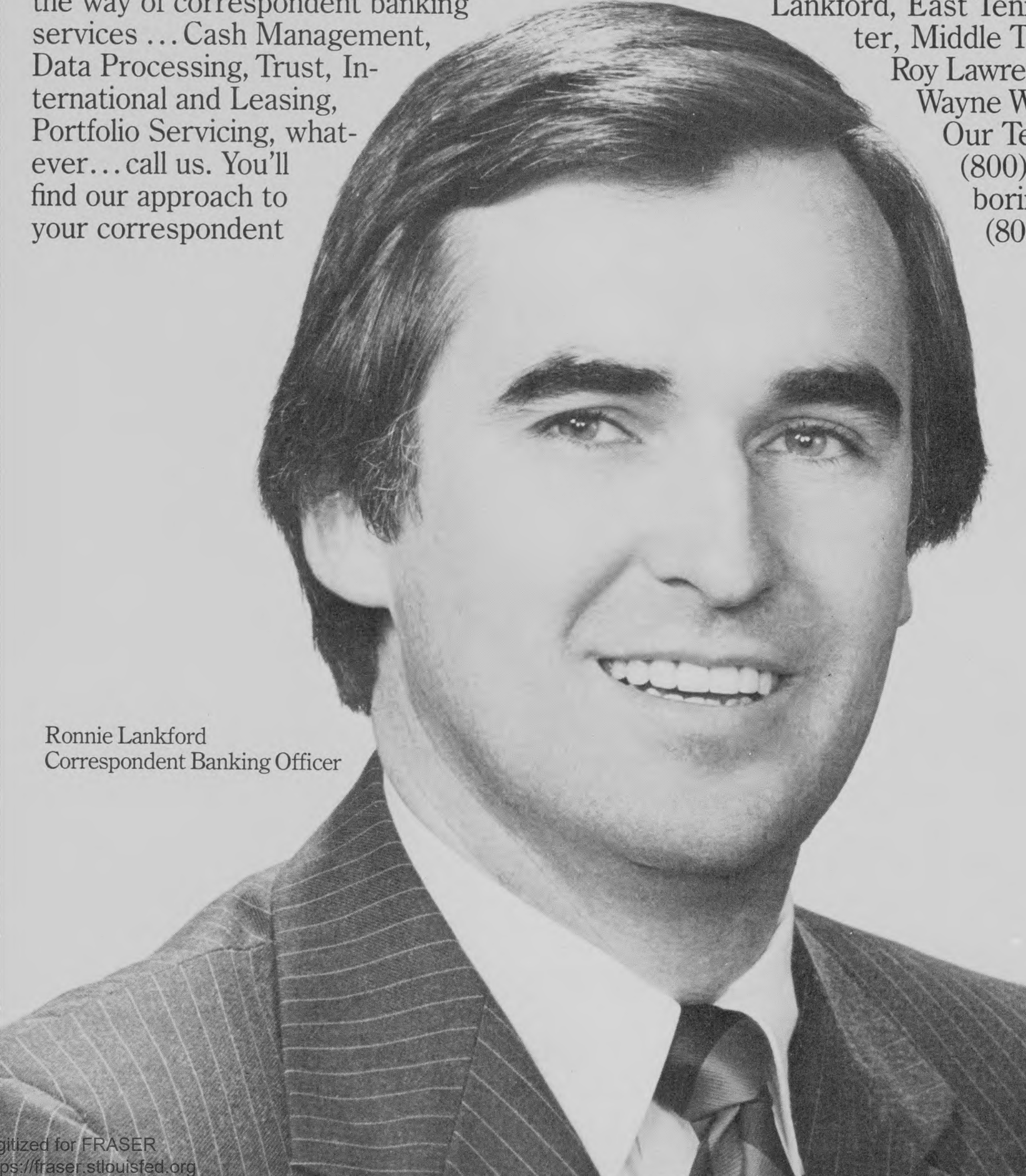

Ronnie Lankford
Correspondent Banking Officer

Improving Proof-Department Productivity

By George E. Bobb III
Vice President
Item Processing Department
BancOhio National Bank
Columbus

REDUCTIONS in annual turnover (from 200+% to 18%) and in absenteeism (annually in days) from 687 to 285 were just two results of four major projects BancOhio National undertook in 1979 to improve its proof-department operation.

Between mid-1979 and the beginning of 1981, the projects also produced the following improvements:

- Reduction in encoding staff (full-time equivalent) from 53 to 25.
- Boost in productivity — items processed per hour went up from 700 to 1,784.
- Reject rate down from 2.6% to 1.1%.
- Average hours worked (weekly) down from 52.6 to 39.75.
- Average closeout time reduced from 2,245 to 1,730.
- Dollar savings daily on improved availability (@ 15% on 30+ million $s) totals $12,500.

In 1979, we were experiencing the same problems that plague many proof/encoding departments. We wanted to address these problems as a package rather than piecemeal.

Thus, in July, 1979, we did a comprehensive analysis of our proof/encoding department and began by identifying exactly those problems we wanted to solve. Here is a list of those problems, not in any particular priority:

1. Extremely high turnover/absenteeism rate.
2. Overall low productivity rate (well below 800 items per hour).
3. Inconsistent work flow (from offices and through proof).
4. Unusually high reject rate (2.6%).
5. High cost-per-item processing.
6. Large amounts of overtime and little control.
7. Extremely late closeouts (10 p.m.-midnight), which led to availability loss.
8. Large staff working two shifts.
9. Low morale (understandable with the eight previous problems).

We believed these problems were closely related and could not be treated in isolation. Four major projects were undertaken to remedy the situation:

A. Improve work flow into the proof department: It was impossible to close out prior to 6 p.m. (our target) when 40%-60% of the work arrived at 5 p.m. or later. Several weeks of on-site analysis at each banking office revealed what volumes of work were available and at what time. Each banking-office manager agreed on these statistics as to work availability.

"... In July, 1979, we did a comprehensive analysis of our proof/encoding department and began by identifying exactly those problems we wanted to solve. . . . We believed these problems were closely related and could not be treated in isolation."

We then addressed transportation of those items, by time of day, into the proof area. Through trial and error, we implemented a program that permitted an even work flow into the department. Number of pickups daily depended on overall volume and availability of those items. We then decided that some larger offices should be serviced every hour, smaller ones possibly twice a day. The end result was an even work flow, with only 14%-18% coming on the last run of the day.

B. Formal Proof-Training Program: We believe an operator's worth is only as good as the training given. Thus, we implemented a "self-taught" training program with a training coordinator performing administrative tasks.

The program basically consists of cassette, audio/video, with headset. Basically, it's a self-taught, programmed course. The video portion is made up of 650+ slides covering various types of work processed through proof, their purposes and functions. It also shows how to develop a 10-key speed. The goal of each new full-time operator is to attain a speed of 1,200 items per hour within 80 days (more for P/T encoders). If this speed is not reached within the allotted time frame, the employee is terminated.

We also established checkpoints at 30- and 60-day intervals to evaluate trainees' progress. Persons not meeting those standards also could be terminated prior to the normal 90-day probationary period. The average trainee reaches 1,200 items per hour at approximately 65 days.

C. Implement a Proof-Encoding Incentive-Pay Program: Our bank currently operates under a grade-level program. A trainee is paid as a Grade Level I on hire and until 1,200 items per hour are reached (G/L I pay is somewhat higher than minimum wage). When the minimum 1,200 items per hour (IPH) are reached, pay then is calculated on incentive based on total IPH less errors.

The incentive scale progresses in increments of 100 IPHs (1,200, 1,300, 1,400, etc.), with an appropriate corresponding hourly wage. Every two weeks (one pay period), total number of items processed, less 500 for each error, are divided by hours worked to arrive at each encoder's net speed. This is done through a program on our IBM Model 5110 minicomputer to save time and effort.

The report showing the employee's

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name, speed and hourly wage then is submitted to salary administration for wage input. The incentive-pay scale increases at a decreasing rate. In other words, as a person's pay increases, cost per item decreases. This results in staff reductions.

D. A Successful Proof Operation: All previously mentioned projects merely were "tools" for the management team to use in accomplishing this ultimate goal. Our final operating position could not be achieved without the commitment and support of a professional management team that could offer the stability and expertise necessary to undertake these projects. Reporting systems established for management monitoring and decision making include (all on our 5110 minicomputer) incentive-pay statistics, work-flow monitoring and expected future volumes by time of day based on historical data. We are able to estimate — within 2% — hourly volume of the proof area one month prior to production. This permits best utilization of staff and equipment.

Although this is only a brief overview of the scope of our projects, I hope it lends some insight to the possibility of productivity improvement. I believe no specific program is ideal for all operating areas. However, if a bank takes time to step back and objectively analyze its particular situation, it may lead to better future management decision making when addressing any new programs. • •

• **Barclays American Business Credit.** James K. Boll and Jean M. Paulsen have been appointed loan analysts in the Midwest Service Center. They analyze financial positions of clients throughout the region, which includes Indiana, Kentucky, Missouri, Illinois and Kansas.

Preemployment Screening Test Developed by BAI for Banks

A PAPER-AND-PENCIL "honesty test" for bank employees now is available from the Bank Administration Institute. Called *Bank Personnel Selection Inventory* (BPSI), the test is designed to profile attitudes and opinions of job applicants in the areas of dishonesty, drug abuse and violent behavior to determine the risk of fraud or theft. It is administered on-site by bank personnel and scored within minutes.

The BPSI, offered in conjunction with London House Management Consultants, Park Ridge, Ill., takes about 30 minutes to complete. To score the test, the administrator tabulates the responses and calls the BAI's toll-free telephone number. An operator receives the raw scores and, within minutes, provides the administrator with a computer analysis of the results. Within 24 hours, a written confirmation of test results is sent to the bank. Cost of the test — including examination booklet, analysis and written confirmation — ranges from \$8-\$13, depending on quantities ordered.

"In no other industry are the honesty and integrity of our employees as crucial to our day-to-day operations, our individual institutions and the industry as a whole," says Daniel L. Grimes, chairman of the BAI's security commission and vice president, Bankers Trust, New York City.

Citing FBI figures, Mr. Grimes points out internal fraud in the financial community has increased dramatically in the past few years. In 1978, average loss to a financial institution was \$1,400. In 1980, the figure jumped 277% to an average loss per case of \$24,000.

"To date," says Keith D. Marshall, principal research manager/security programs for the BAI, "banks have relied on either FBI fingerprinting or polygraph tests to screen employees. The problem with fingerprinting, which has been suspended temporarily by the FBI, is that it can be administered only after a person has been hired. It takes four to six weeks to receive the results, and it only identifies a previous criminal conviction. It does not profile attitudes or behavior."

As to polygraph tests, Mr. Marshall indicates they are useful and generally accurate, but are expensive, usually administered off-site, and such a test's validity depends on the skill of the person administering it. Also, the test is illegal in 13 states.

Kurt Elster, the BAI's human resources director, says, "A number of validity and reliability studies were conducted to ensure the effectiveness of the (BPSI) test. In addition, studies indicated there was no adverse impact on minority groups.

"Unlike an interview, which is unsystematic and often subjective, the BPSI is a benefit to the honest candidate. It is fair because it submits all candidates to the same measurement. To the degree that fairness, consistency and equal treatment describe ethical hiring practices, this selection procedure is a step in the right direction."

AIB Sets Annual Meeting May 30-June 3 in Dallas

The 1982 AIB Conference, set for May 30-June 3, will focus on banker education as the competitive edge in this era of deregulation and increased competition.

More than 1,200 bankers are expected to attend the conference, which will be held at the Hyatt Regency, Dallas.

The first two days will serve as the annual leadership conference for the AIB. Sessions on chapter management will address topics related to the continued growth of the organization.

Taking part in a panel discussion on the future of the financial-services industry will be U. S. Senator Jake Garn (R.,Utah), chairman, Senate Banking Committee; Wallace O. Sellers, vice president, Merrill Lynch; and Elvis Mason, chairman, InterFirst Corp., Dallas. Journalists from *U. S. News and World Report* also will speak.

Vital facet of Professional Teller Program at Third Nat'l, Nashville, is training clinic. In classroom setting, tellers study topics designed to develop their banking knowledge. Directing this clinic are Beryl Kiefer (standing) and Anne Cheatham (seated).

Portion of each Professional Teller Program training clinic is devoted to individual study of class materials. This program offers four grade levels of progression, from teller trainee to senior teller. In effect, it offers tellers "career path."

Professional Teller Program Reduces Turnover by 55%, Halts Escalating Losses

"IT'S NOT that I don't *like* my job here at the bank, because I really do," explains the intelligent young man as he hands a resignation notice to his manager. "I want a career in banking, but here I just feel trapped in a dead-end slot. I don't know what I can expect from the bank or what the bank expects from me."

This scene occurs daily all over the country, in big banks and small ones. Branch managers everywhere are all too familiar with the frustration of teller dissatisfaction. They hire courteous, ambitious men and women, spend weeks training them, watch them grow to be responsible tellers — and then see them leave after six months, a year, two short years.

High teller-turnover rates have become commonplace throughout the industry and often are regarded as an inevitable evil, but senior managers are only now realizing the high price they're paying for their tellers' restlessness. Wasted hours and dollars spent in training short-term employees, over/short losses due to inexperienced teller trainees, absenteeism, low morale, customer dissatisfaction — all point a finger to the problem and the bottom line. So what are banks doing to correct the situation?

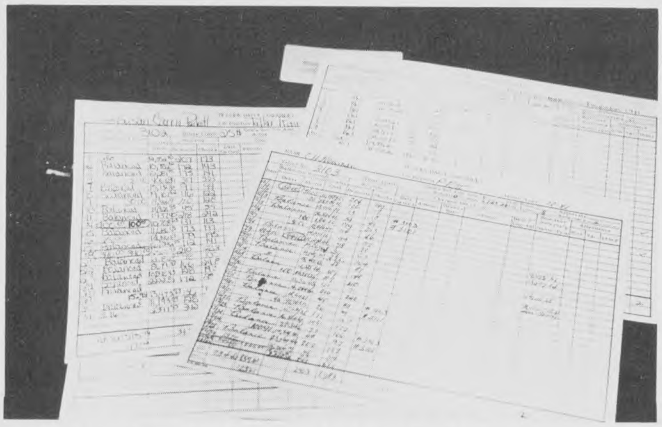
Some institutions are taking aggressive measures to identify the dilemma, and they're establishing guidelines and career paths to keep good tellers on "Teller's Row." Consider, for example, the action taken by Third National in Nashville. When its retail division realized the costliness of its annual teller-turnover rates (which sometimes reached as high as 75%), a comprehensive task force comprised of tellers, branch managers, operations and personnel representatives was established to tackle the issue. The result of its months-long labors has produced the Professional Teller Program, a working model of recovery in action.

The Professional Teller Program offers four grade levels of progression, from teller trainee to senior teller. At each level, tellers are expected to achieve a certain level of defined performance and to attend a specific number of training "clinics" as they assume additional responsibilities.

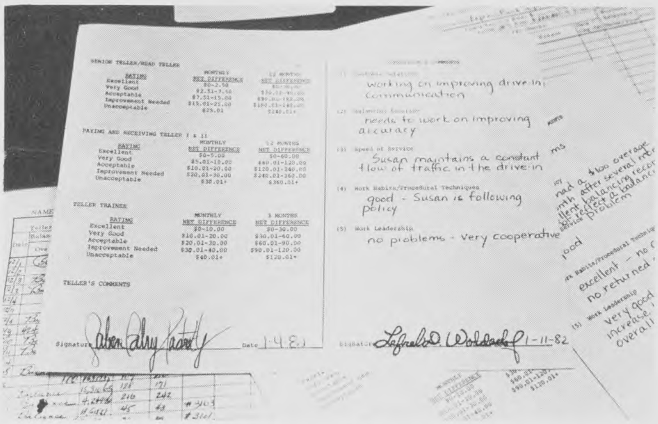
Third National began its project in March, 1979, with research supervised by John B. Tirrill, senior vice president/retail administration. Tellers and managers identified their discontent in the following terms:

- Failure to provide clear guidelines for performance standards, resulting in inequities in salaries and grade levels relative to job responsibilities.
- Little recognition for good job performance.
- Lack of clear career path for tellers.
- Inadequate provisions for additional training opportunities.
- Escalating check and over/short losses.
- Absenteeism.
- Escalating turnover.
- Declining productivity.
- Inadequate recognition of and response to customer needs.
- Ineffective communication.

Mr. Tirrill and Anne Cheatham, assistant vice president/retail division, read initial reports of the research and began to interview tellers. They learned that tellers desired additional training and responsibilities. They wanted to be kept better informed on products and changes. And tellers did not think their jobs made full use of



Teller daily log sheet at Third Nat'l, Nashville, records each teller's daily business activities, providing branch managers with valuable aid in performance appraisals/salary recommendations.



On back of teller daily log sheet, tellers and their supervisors are given opportunity to write comments about their business environment and relationships. Both teller and supervisor must sign log at month's end.

their skills and abilities.

"Many tellers were asking for additional responsibility, saying, 'Identify my job, give me a standard,'" says Ms. Cheatham.

Once prior-performance research was made to determine what makes a good teller tick, Mr. Tirrill and Ms. Cheatham sat down with the task force to work out details of the Professional Teller Program. They realized immediately that any reconstruction program would have to involve middle management. The bank already had determined that pumping more money into the system would not solve the problem; it was determined to focus on *time* commitment.

"Managers were the key element," notes Mr. Tirrill. "We knew that the program could work only if the managers were committed to knowing their tellers, opening communication lines. Many times, tellers would bypass their managers if they had a problem or were dissatisfied. We strongly recommended that our managers counsel with tellers from the start."

When research and development were completed, branch managers attended a training session designed to acquaint them with the new program. After the basic concepts were reviewed, the managers then were grouped into small clusters to study the program, discuss their views and prepare themselves to introduce and manage the program within their branch environments. Role playing and visual aids rounded out the management-preparation techniques.

"We found that many senior managers didn't realize the magnitude of the teller's responsibilities in today's world of banking," says Mr. Tirrill. "The banking industry has undergone tremendous changes in the past 20 years alone. In 1959, if a teller knew how to service checking accounts, bond and coupon redemptions, safe deposit boxes and travelers checks, he was in good shape. Today the bank offers all-saver certificates, money market certificates, NOW accounts, international services, money transfers, IRA accounts and a host of other services the teller must recognize.

"Too, society has changed. We have transient customers, and that means a greater risk of check fraud and check kiting. The teller must handle a greater number of dollars and learn how to operate our computers. It's just a more complicated society."

When the teller grapevine sensed that reform was in the making, skepticism was an initial response. When it became apparent that the managers were knowledgeable and participating, some doubts cleared. When the plan was outlined, enthusiasm took over.

In short, the Professional Teller Program offers four grade levels of progression, from teller trainee to senior teller. At each level, tellers are expected to achieve a certain level of defined performance and to attend a specific number of training "clinics" as they assume additional responsibilities. A standard pay scale accompanies the promotions with monetary raises. Tellers now are given a *career path* to help them set goals and monitor their own progress according to performance and results.

For the first time, managers, too, are involved in the teller program. Each manager attends sessions to aid in developing skills in interviewing, counseling and training to realize goals set by branch administration.

A major management tool is the teller daily log sheet, which provides a complete review of each month's activity. On paper, tellers record their daily balancing records, deposits activities, business referrals and attendance records. The back of the sheet allows space for a supervisor's comments relative to the teller (speed of service, work habits, customer relations, balancing accuracy, work leadership) and for a teller's comments in general. Both teller and supervisor must sign the log at the end of the month before it is forwarded to the teller records analyst, who maintains records for the entire system. Consolidation of branch activity by regions is provided to branch administration and members of senior management.

"The daily log sheet is proving to be a valuable aid in appraisals and salary recommendations. Before, any evaluations were largely subjective. Now performances are recorded in black and white, helping supervisors *and* conscientious tellers," says Ms. Cheatham.

"The Professional Teller Program is in effect for all tellers in the bank, but it does have its own set of restrictions:

- Part-time tellers may participate through the first three levels, but a full-time commitment is demanded by job responsibilities before he/she can achieve Level-Four status.
- Tellers must operate time frames established. The entire program is structured for a *minimum* period of 40 months (3½ years). In other words, each teller must spend at least 40 months overall to complete each level in the program, and he/she may take longer to finish each level. However, grades may not be skipped or rushed.

"That's about the only negative factor we've encountered — teller impatience," says Beryl Kiefer, manager/retail training department.

- Tellers must attend the recommended training clinics to progress. Tellers are notified by the teller records analyst when their recommended classes are scheduled, and they are paid for the day or half-day they spend in class. If they fail to complete their pre-clinic materials or tests satisfactorily, the failure must be rectified if they are to receive credit for the clinic. Promotions resume when all requirements are met.

"Some tellers have determined that they are happy at Level Two and that they don't want to move to another level. Fine. If they don't want to move to another branch, as some promotions may require, or if they choose to remain in the same pay bracket, they certainly may do so. They will continue to receive their normal reviews. If they decide to move up later, they still have that option, too," explains Ms. Cheatham.

Now that Third National's program has been in operation for two years, results have been measured and compiled. "And the results," John Tirrill is pleased to say, "have been tremendous."

In one year's time, escalating losses were halted. Actual dollar reduction in check losses and over/short losses was in excess of $50,000. (This figure is especially significant since the teller base has increased by 20 since 1979.)

Turnover — full-time and part-time — has been reduced by 55% since

(Continued on page 110)

Teller-Training Program Prompted By Turnover, Related Costs

THE IMPORTANCE of training tellers so they become knowledgeable and enthusiastic about their jobs, thus reducing absenteeism, turnover and shorts/overs, has come home to many banks. This is shown in the article about Third National of Nashville's Professional Teller Program, beginning on page 32.

Another bank, Union Bank, Erie, Pa., also has a Professional Teller Program, as well as a separate Teller Training School.

The bank has 11 branches with a staff of 90 full- and part-time tellers.

All new tellers hired at Union Bank must attend the three-week school and pass the required tests before they are placed in the branch system.

The Professional Teller Program, however, is voluntary. If present tellers don't want to enter it, they will continue to be reviewed at their six-month and anniversary dates of employment and will receive the normal scheduled salary increases based on their performances.

All tellers who sign up for the Professional Teller Program will bypass the midpoint of the bank's present salary schedule, receive their normal salary increases based on their performances and receive the stated salary increases as they pass each phase of the program.

For several years, Union Bank's human resources department had been studying teller turnover and its related costs. In the spring of 1981, a teller advisory committee was formed to analyze the causes and possible solutions to teller turnover, which affects many banks.

Working with the human resources department, the advisory committee developed the Professional Teller Program and scheduled it to begin last January 1.

The program is designed to provide two incentives for tellers: 1. Monetary rewards. 2. Increased recognition and path of advancement this program will provide tellers.

The bank believes the program not only will decrease the number of teller terminations, but also inner-departmental transfers *out* of the teller system. More importantly, says a bank spokesperson, it's hoped the program will result in more transfers *into* the teller system.

A review-board committee also was established, and it has the responsibility of reviewing each teller's performance after completion of the program, which consists of:

Phase 1:

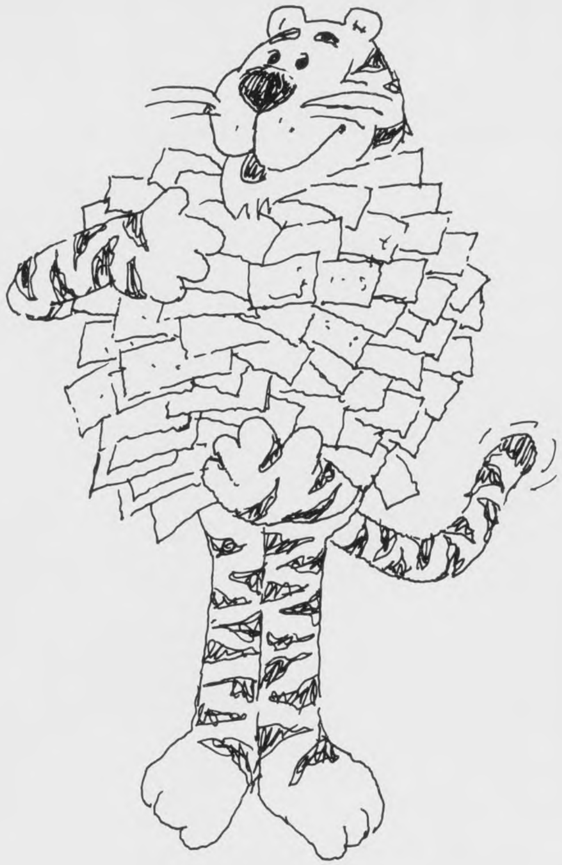
1. Successful completion of American Institute of Banking courses — Principles of Banking and Accounting I.
2. Net cash over/short for the first six-month period, January 1, 1982-June 30, 1982, to be no more than $100. Cash over/short entries not to exceed 15 in the same six-month period.
3. Participants will return to the Teller Training School for a one-day review/testing period. When all points of Phase One are accomplished, the teller will be promoted in grade level and receive a monetary increase in salary.

Phase 2:

1. Completion of the bank's supervisory-development course.
2. Net cash over/short in the second six-month period, July 1, 1982-December 31, 1982, to be $100 or lower. Cash over/short entries not to exceed 15 in the same six-month period.
3. Full knowledge of all back-counter functions.
4. Return to the teller school for a second review/test.
5. Approval by the review-board committee.

The one-day Teller School review is comprised of reviewing the Teller Manual and all bank services. The test is based on questions from the manual pertaining to teller operations, functions and procedures. The second one-day Teller School review is comprised of reviewing the Teller Manual, all bank services and customer-relations procedures. The test is based on what is discussed during the first and second review classes. Purpose of these re-

(Continued on page 112)



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PERSONNEL... *Notes*

Teller activity shows the greatest need for productivity improvement in banks, according to a recent survey by the ABA's marketing division.

Lending activities, such as loan documentation, processing and platform duties, were cited as next highest in need of productivity improvement, with branch staffing and operation, new accounts and customer service also mentioned frequently.

The survey polled the nation's top 1,000 banks in assets, collecting information on productivity measurement and improvement techniques used in bank offices and branch networks.

Ninety-one percent of the responding banks said that productivity is critical to their objectives and a majority of those said they have tried some form of productivity-improvement program. Most popular programs are setting performance standards (53%), work-measurement techniques (46%), flex-time scheduling (23%), quality control (21%), team improvement (17%), job-enrichment systems (10%) and quality circles (5%).

Support from top management is essential in attempting to improve productivity. The survey reveals that 61% of top management support and show high interest in productivity. An additional 24% show high interest but find it difficult to implement a program for a variety of reasons.

Most efforts concentrate on the operational side of productivity, but little has been done on the retail side, which includes front-office and customer-contact functions. An operations handbook on retail banking productivity is expected to be released by the ABA next month.

A self-instructional training program to teach basic accounting to lenders has been developed by Omega, a San Francisco bank consulting firm. The program, called "Asset Conversion Cycle: Accounting for Loan Officers," teaches the basic technical accounting skills used by lenders and a framework for credit analysis.

Trainees learn to see through financial statements to the business behind the numbers and to calculate sources and uses of funds using accrual financial statements. They learn how financial statements represent a company's cash cycle or "asset conversion cycle." Exercises and practice questions enable trainees to differentiate the reporting of business transactions from the flow of cash through a business's operating and capital-investment cycles.

Trainees with no previous accounting experience can complete the course in six to 12 weeks, working eight to 12 hours each week. Bankers who take the course to refresh their skills can complete the program in 24 hours over a two- to three-week period.

The Bank Administration Institute (BAI) has selected Coopers & Lybrand to present a comprehensive five-day course, "Auditing Computer-Based Bank Systems." The course will be given in three Mid-Continent cities this year, beginning with one in Houston from May 17-21. Subsequent courses will be held in Chicago from September 13-17 and New Orleans from December 13-17.

Course participants develop an understanding of controls, followed by a comprehensive audit methodology, for bank data-processing environments. Among topics presented are the systems-development life cycle, techniques of documenting systems, methods of evaluating both controls and impact of control weaknesses and use of computerized testing techniques. Practical solutions to state-of-the-art auditing problems are emphasized.

The Bank Marketing Association has introduced two new training programs.

"Making Successful Business-Development Calls" is designed for new calling officers in community and medium-size banks and branching facilities. A meeting-leader's guide and two 15-minute audiovisual segments are included.

"Resolving Complaints and Confrontations" is a training program designed for customer-contact staff. Its purpose is to resolve the problems and complaints of customers. Problem-solving techniques are designed to strengthen customer/bank relations.

Motivating new tellers to be contributing members of a banking team in the early stages of their careers is one of the focal points of a new program offered by the Bank Administration Institute. "Modern Teller Training 2" was developed to explore and explain areas of teller responsibility from customer relations to security to specific banking procedures.

The course can be used by experienced tellers as a refresher for established practices as well as to update them on newer information and techniques. The program can be given individually or in group sessions and can be customized to meet a bank's special requirements.

A significant improvement in efficiency of most operations has been recorded for the second consecutive year by the BAI's 1981 check-collection-performance-measurement survey. Overall labor productivity, measured in checks processed per man hour, rose to 551.6 items, up 5.1% from the previous year.

The survey of the nation's check-collection system, compiled annually by the BAI since 1971, was expanded to measure the level of check-truncation activity. In addition, a 1973 BAI research project examining the causes of return items was updated and is included in survey results.

The survey revealed that the average reject rate dropped from 1.9% in 1980 to 1.7% in 1981. The average rate of transit-return items discovered decreased 9.4%, following a 16.8% decline the previous year. The average rate of free and cost items discovered decreased 4.1% from 19.6 items per 100,000 incoming items in 1980 to 18.8 items in 1981. The average rate of missent, miscoded and listing-error items discovered decreased 10.8% from 18.6 items per 100,000 transit items sent in 1980 to 16.6 items in 1981.

The survey covered 157 commerical banks that processed 441.2 million checks during the survey period.

ESOPs

Attract, Reward, Retain Good Bank Employees

By Bob L. Sellers, Ph.D.*
President
Banking Consultants of America
Memphis

MORE and more banks are beginning to implement employee stock-ownership plans (ESOPs) as tools for attracting, rewarding and keeping top people. In addition, there are a variety of other uses for effectively designed ESOPs. This article discusses ESOPs as a recruiting tool and reviews some of the other advantages that can be realized from them.

What Is an ESOP? An ESOP is a qualified employee-benefit plan, as defined under Section 401(a) and 4975(e)(7) of the Internal Revenue Code, which is designed to invest primarily in employer securities without some of the restrictions of the Employee Retirement Income Security Act (ERISA). Its ability to incur debt for this purpose makes it unique among other qualified employee-benefit plans. Distributions to plan participants on retirement or termination are made in the form of employer securities or cash.

The ESOP may consist of a qualified stock-bonus plan only or may be combined with a qualified money-purchase pension plan. Annual contributions to the plan by the employer bank may be in the form of cash or stock, either of which is a tax-deductible expense under the IRC Section 404(a). The ESOP may be designed to permit tax-deductible contributions by the bank of up to 25% of total compensation of participating employees. Under the Economic Recovery Tax Act of 1981, interest and forfeitures are not charged against the 25% contribution limits for leveraged ESOPs. Therefore, leveraged plans can utilize much higher contributions than is possible under a non-leveraged plan.

What ESOPs Offer. Key executives provide the key to better profitability, which is a primary concern for management. How well the bank utilizes its resources is indicated by the bottom line. Profits also help measure managerial efficiency, with key indicators such as return on equity (ROE) and return on assets (ROA) telling the story.

The current banking environment is challenging, and for banks to remain competitive, they must recruit, reward and keep top people. An ESOP can be beneficial in doing just this. An ESOP offers great incentives to employees, since they grow financially as the bank grows. Giving employees and top executives a piece of the action usually has been an effective way of obtaining the best results from them. An ESOP converts employees into part owners of the bank, and they no longer just work for someone else.

Many case studies indicate employee production increases dramatically after employees are given an equity ownership through an ESOP. A large factor in real growth of a bank is reduction of turnover. An ESOP, in addition to motivating employees, helps reduce turnover and can inspire greater loyalty from employees. The latter are aware their retirement benefits and their piece of the action depend on their bank's performance. Therefore, everyone from the president to the lowest-paid employee works hard to achieve better results for the bank, customers, shareholders and themselves.

The author has a number of bank clients that have used ESOPs effectively as a recruiting tool and for reducing turnover. For example, one bank was having excessive turnover at the middle- and staff-management levels. Officers who left the bank generally felt they would never share in ownership of the bank even though their efforts were instrumental in its growth.

Exit interviews with persons leaving brought out the fact their new employers offered stock ownership, and the equity position was an important

* *Mr. Sellers' firm specializes in ESOPs for banks. This article is adapted from his book "Employee Stock Ownership Plans . . . the Evolution."*

Should Your Bank Have an ESOP?

The author recommends the following guidelines in determining whether a bank is a candidate for an ESOP:

- **The bank should have a reasonable return on assets and return on equity.**
- **It should review its other employee-benefit programs and determine their cost effectiveness as measured against actual benefits being provided. The other programs should be analyzed to determine if they are helping the bank accomplish its objectives.**
- **Payroll should be $300,000 or more.**
- **The bank should have strong management with a desire to share future growth with valued employees.**


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consideration in their decisions to change employment. Bank stock would create growth that was not taxable, until the stock was sold, and they felt they would be building a "nest egg" for the future.

After establishing an ESOP more than four years ago, this bank not only has maintained its present officers, it has been successful in attracting the best management talent available. The bank competes with other banks in its market area for top people, and management has found that while compensation, fringe benefits and other employee programs are comparable, its ESOP has made a major difference in our client bank getting the best people.

In other words, the bank could offer participation in ownership and bank growth. Of course, the bank is "high performance," and ESOP accounts are impressive. Rapid growth of the bank in assets, ROA and ROE make this particular ESOP an excellent tool for attracting, rewarding and keeping top people.

The president of another of our bank clients recently wrote us regarding the success of his bank's ESOP. He said, "The ESOP has had a tremendous effect on our progress in terms of employee loyalty and motivation. This is true because they (employees) now believe improved profits for the bank will be passed on to them via the ESOP. Our ROA of 1.59 for last year was far more exciting to our employees than it would have been without the ESOP. Our employees know the increased earnings are going to improve the value of our stock and the increase will be reflected in their individual ESOP accounts. For the first time, they feel they are being rewarded through the ESOP as the bank's earnings increase."

Capital-Adequacy Solution. Capital adequacy is one of the most serious problems facing bank management today. Capital is an already-scarce commodity, and while the need for more capital is growing, the usual sources have been drying up at an alarming rate. Traditional sources are so expensive that only a few banks now can afford them. Finding ways to finance future growth is a primary assignment for many bank executives. Although they now clearly recognize sound growth opportunities, they often are helpless to act because of insufficient capital to finance the opportunities.

Takeover Prevention. As the result of capital-adequacy problems, deregulation, interstate banking and increased competition, financial forecasters predict a sizable decrease in number of banks operating by the end of the decade.

New Era of Mergers. It is significant when financial forecasters are unanimous in their opinions, so the universal belief that there will be a large reduction in number of banks by the end of the decade must be viewed with concern by bank executives. Some mergers will be entered into willingly. Others will be forced by regulators. In between are those successful, local banks that holding companies covet in their expansion plans. Many will become targets for takeover by the larger and more powerful holding companies.

The basic problem facing the chief executive is whether he can control his bank's destiny. Even with solid support from the board of directors, it is difficult and expensive to defeat an aggressive takeover bid, and raising capital to support a counter offer is even more difficult and expensive. Thus, an ESOP can create the vehicle to keep bank ownership in the hands of its present shareholders.

You Are a Banker, Not a Broker. Most bank stocks are not actively traded, so maintaining a market normally is not a high-priority item. However, it assumes extreme priority when a sizable buy or sell call comes in, or when the bank decides to issue more stock. Sooner or later, every bank is faced with a similar situation. It is at this point that many chief executive officers have to become their own brokers. This is both an awkward and unwanted assignment.

Related problems involve pricing and maintaining that price for the bank stock. Sale of a large block of stock may have serious effects on the market value of a bank's stock. Also, if a bank decides to raise capital by issuing more stock, how does it determine offering price? An ESOP can supply the solution to these problems by establishing a market and determining value of the stock.

Should Every Bank Have an ESOP? Not every bank is a candidate for an ESOP. The following guidelines should be followed:

1. The bank should have a reasonable return on assets (ROA) and return on equity (ROE).
2. The bank should review its other employee-benefit programs and determine their cost effectiveness as measured against actual benefits being provided. The other programs should be analyzed to determine if they are helping the bank accomplish its objectives.
3. Payroll should be $300,000 or more.
4. The bank should have strong management and a desire to share future growth with valued employees.

The banking industry has been in a state of turmoil for the past couple of years. High interest rates, high cost of funds, reduced spread and competition from major brokerage firms, S&Ls and other financial institutions have caused bank management to become more creative and to work harder than

(Continued on page 101)

Bank Hosts Eggs, Bunnies

"In your easter bonnet, with all the frills upon it," Irving Berlin's famous lyrics, was appropriate last month at Farmers & Merchants Bank, Centre, Ala. Employees there wore original designs or bought their headgear. Easter bonnets at the bank are an annual event, sponsored by the marketing department. Cash prizes are given winning designs. The 1982 winning creations are pictured here. Pam Pace (l.), collection department, models her "egg original." Susan Rochester, bookkeeping department, wears an egg-decorated, bunny-topped hat.

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Quality Control Circles: How Banks Can Use Them

QUALITY CONTROL CIRCLE: A small group of employees doing similar work who voluntarily meet regularly to discuss and solve work-related problems. They all have been trained in modern communication techniques and statistical problem-solving methods. Circles exist throughout the manufacturing sector in Japan and are credited with helping that nation move to the forefront as a world economic leader.

JOBS of a factory worker and bank employee have little in common, yet a revolutionary new management technique has produced improved morale and productivity in both groups. Called quality control (QC) circles, this concept has created happier workers and has saved millions of dollars for hundreds of major manufacturing firms since its introduction to the United States in the mid-'70s. Now American banks are beginning to jump on the QC circles bandwagon.

Yet when RepublicBank Houston — the city's fifth-largest bank and a member of Republic of Texas Corp., Dallas-based multi-bank HC — was investigating circles in 1980, it ran into a snag. Training materials are used to teach circle leaders and members how to conduct a circle, but those available had been designed for the manufacturing sector. That meant case studies and examples in this initial training course referred to cable crimping, assembly lines and other things far removed from the office environment.

"All the (circles) programs were geared toward an industrial setting," explains Daniel Van Vooren, the bank's quality circles facilitator. "But we found a circles consultant who had worked with other banks and who was willing to help develop new training materials."

This consultant was Wayne Rieker, president, Quality Control Circles, Inc., Los Gatos, Calif. Even though existing training materials were perfectly adequate in helping a bank or other white-collar operation begin a circle program, Mr. Rieker, too, had toyed with the idea of making new materials for banks. As the "father" of the circles concept in the U. S. (he brought the concept from Japan and adopted it to the American work place in the early '70s), he had seen circles grow phenomenally here. Now the second generation of circles — among white-collar workers — was opening up new, unchartered areas for the concept to thrive.

Mr. Rieker currently has many banks on his client roster, among them the nation's two largest, Bank of America in California and Citibank, New York City. Other bank clients are First Interstate, Union Bank, Bank of California, Security Pacific and Crocker Bank, all on the West Coast; Chemical Bank, New York City, First & Merchants National, Richmond, Va., and Mellon Bank, Pittsburgh. Yet Mr. Rieker's relationship with RepublicBank Houston has been one of the most fruitful, since the two co-developed special training materials for banks that have been used by subsequent Rieker clients.

About eight persons are in each of the quality control circles at RepublicBank Houston. Projects undertaken so far include designing new training schedules, new job-request forms and new procedures, as well as examining the process involved with quarterly note audits and updating job descriptions.

RepublicBank Houston's impetus to help create training materials stemmed from a strong commitment on the part of the bank to move to a more participative management style. This was one of the priorities after Gerald M. Czarnecki joined the bank in 1979 as executive vice president/finance and administration division. To lay the groundwork for the introduction of circles, Mr. Czarnecki offered two management courses to bank managers. These courses were administered through the controllers department, headed by Jean Hejna, senior vice president/controller.

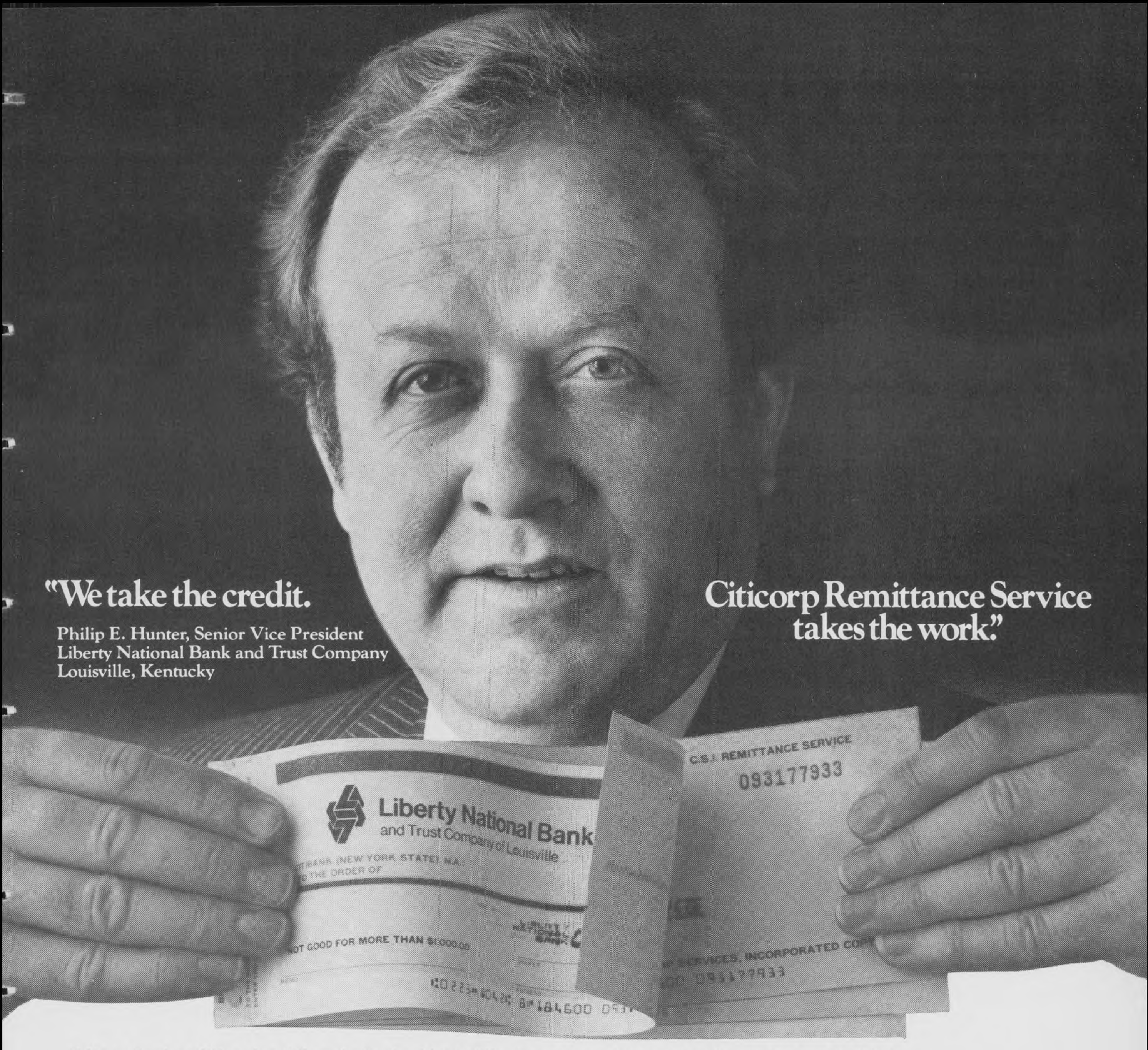
The process of writing the new training materials, coordinated by Personnel Officer Steve Bohannon, lasted about four months. The project involved soliciting input from many bank areas. Facilitator Dan Van Vooren assisted in this project as the initial phase of his facilitator training. With the guidance and assistance of Quality Control Circles, Inc., the materials were completed in May, 1981.

The pilot circles began four months later, with seven initial circles launched, Mr. Van Vooren explains. These were in the following departments: international (letters of credit), corporate trust, account maintenance, retail loan operations, trust and employee benefits, commercial vault and word processing. Mr. Van Vooren stresses that throughout all phases of the program, involvement is voluntary.

"When we finished our management workshop," he continues, "we asked participants if they would be supportive of circles in their areas. Quite a few managers took a 'wait-and-see' attitude at first. But now they've seen and they're interested!"

The seven initial circles represented three divisions out of six in the bank. Fifty-two employees are in circles now, out of a total workforce of 850, Mr. Van Vooren says. However, RepublicBank is in no hurry to rush the program. "Our goal is to have as many circles as it takes to offer the opportunity of membership to each interested employee," he says. The bank expects to have about 25 circles operating by the end of the year.

The size of a circle is typical at the bank: about eight persons per circle. Projects undertaken so far include designing new training schedules, new job-request forms and new proce-



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dures, as well as examining the process involved with quarterly note audits and updating job descriptions. One circle wanted to attack the problem of how to reduce the number of personal phone calls made, but found that merely the act of recording the call as part of the circle's initial data collection was enough to reduce personal calls to an acceptable level.

The circle in the commercial vault department is working on an investigation of why teller machines constantly break down at the bank and subsequent repairs take a long time. After collecting data and studying the problem, the circle decided to do a time study to see if adding machines could replace the troublesome equipment. It's likely that the results of this circle's project will produce time and money savings for the bank. "We could have a cost avoidance of $25,000," says Mr. Vooren.

"The circles program here (RepublicBank Houston) has gone well. Our initial hope was that 60% of those who attended the orientation meeting would decide to take part in the program. In fact, 95% participated. . . . The program has helped employees develop their skills and has helped managers identify promotable people."

According to him, "The circles program here has gone well. Our initial hope was that 60% of those who attended the orientation meeting would decide to take part in the program. In fact, 95% participated." He adds that only one employee has left the program, but this person's absence will be only temporary until another project begins.

"The first benefit of the program we've seen is improved communication among everyone involved in circles," states Mr. Van Vooren. "The program also has helped employees develop their skills and has helped managers identify promotable people."

The circles are now less than a year old, but the bank is beginning to see some hard cost benefits resulting from the program, too. "We try to deemphasize the importance of this," he says, "though bank management undoubtedly is pleased."

Other banks have realized significant dollar savings via their circles. A circle's suggestion at Bank of America to use rubber bands instead of staples to attach batch headers has saved the bank $46,000 annually. At California's Union Bank, $38,000 a year has been saved because a circle decided operations could be combined to reduce use of leased computer equipment. Of immeasurable value, however, is what improved morale can produce among bank employees.

Wayne Rieker has launched enough banking circles by this point to be able to make some clear predictions of what banks can expect from their circles programs.

"Improved quality, communication and morale are probably the most important result," he says. "But circles can help take some of the frustration away from daily, repetitive work that is inherent in banking. We have seen turnover reduce significantly in areas that have circles."

Now that the new training materials for banks are finished and in use by RepublicBank and other companies, Mr. Rieker expects to hear more good news from his banking clients about what this dynamic new concept can accomplish. ● ●

Commercial-Loan Operations To Be Spotlighted by BAI At Seminar June 21-23

ST. LOUIS — A three-day seminar for senior loan operation officers will be sponsored by the Bank Administration Institute June 21-23 at the Marriott Hotel at Lambert International Airport here. It will be called "Current Issues in Commercial-Loan Operations."

Topics will include trends in commercial, installment and mortgage lending, productivity improvement through use of minicomputers and word processors, legislative direction, regulatory issues, quality circles, leasing, the new bankruptcy code and vendor selection. A special series of concurrent sessions will address international, special-industry and accounts-receivable loans and loan participants.

Speakers will include Lamar Smith, chief economist, Senate Banking Committee, Washington, D. C.; Royce M. Bonds, vice president, Bank of America, Los Angeles, and Daniel A. Papa, vice president, Chemical Bank, New York City.

Program chairman is Donald W. Williams, vice president, Centerre Bank, St. Louis.

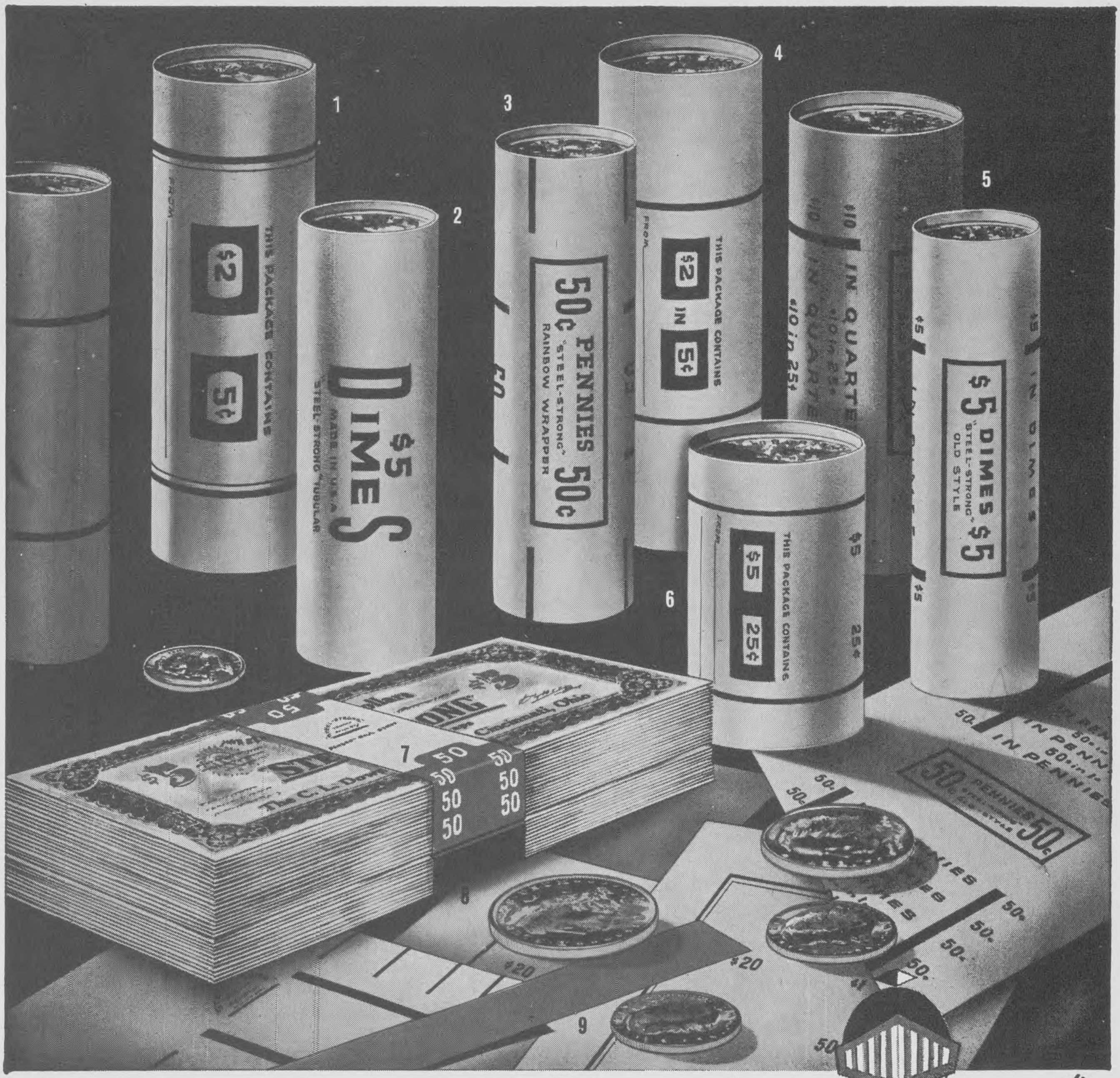
Study Mission to Japan To Be Conducted by ABA

WASHINGTON, D. C. — The ABA will sponsor an international-study mission to Japan this summer, and CEOs and other senior-management officers of U. S. banks and bank HCs are invited to join it. Departure from this country is scheduled for July 31, with arrival back here August 15.

Subjects to be explored in the study mission will include: structure of the Japanese banking system, organization of Japanese banking institutions, management philosophies, expansion planning, human-resources development/career planning, information-systems utilization, programs to assure quality and reliability of services and relationships among Japanese banks, related businesses and government regulatory agencies.

Members of the study mission will visit several types of Japanese banks and financial institutions, relevant government agencies and certain other types of businesses related to banking.

Charles F. Haywood, consultant to the ABA and professor of finance, University of Kentucky, will lead the study mission.



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7 FEDERAL BILL STRAP
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At Small Illinois Bank:

Profitability Goals Set Up and Reached With Outside Help

By Elizabeth Chappell White

MEET Farmers & Merchants Bank of Carlinville, Ill., founded in 1904 and located right across from the courthouse. It's not the Chase Manhattan of the Midwest; it's a community bank. And it's a healthy community bank — an increasingly rare breed in a climate of growing competition from the big shots, new banking legislation and a better informed consumer ready and willing to "shop."

Health and well-being in the community-banking business don't come naturally these days. It takes work.

In a bold, progressive move, Don "Pete" Denby Jr., president and director of the $44-million-asset Farmers & Merchants Bank, turned to Peat, Marwick, Mitchell & Co. and its new Community Bank Profit-Improvement Program to help establish and achieve the bank's profitability goals. Peat Marwick, the international professional accounting firm, has St. Louis' major bank-consulting staff. The firm performed a broad-based diagnostic review of the Carlinville bank's operations and identified over $300,000 in potential increased revenues and decreased costs.

George Drakey, primary developer and regional coordinator of Peat Marwick's Midwest financial institutions consulting practice, says, "Farmers & Merchants Bank showed a lot of forethought at the origination of the program and throughout its duration. It wanted to tackle some of the difficult economic problems facing smaller banks before it was forced to. We helped it sharpen its skills and services while it really was in a position to take advantage of them."

Bank President Denby says, "Results of Peat Marwick's diagnostic review helped us change our methods and streamline and modernize our entire operation."

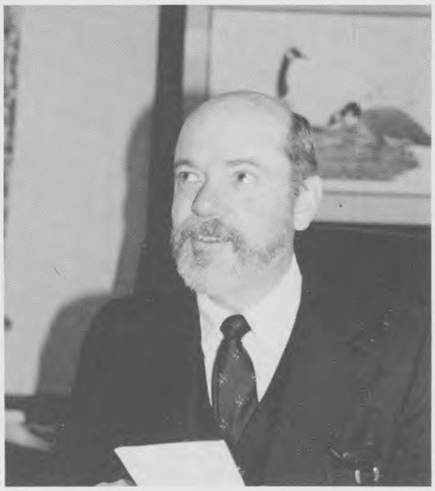
Peat Marwick's Community Bank Profit-Improvement Program is unique in that it is designed specifically for small and medium-sized banks. It is a modular program that has the advantage of standardization to keep it inexpensive, and yet it can be tailored to each bank's precise needs by adding or subtracting sections of the program.

"It covered everything from opening the door in the morning to closing the door at night," Mr. Denby says of the program. "Most small banks have been doing things the same way for a long time. The young man learns from the old man how things are done. Big banks have more turnover, and they get new blood all the time. But we have had the same basic personnel for 12 to 15 years. Things get static."

But despite words to the contrary, Mr. Denby says an old dog can be taught new tricks.

"It was tough sometimes, though," he says, "not all the old dogs liked the new tricks."

Skeptics of the plan soon became believers, however, says Mr. Denby. "Peat Marwick went out of its way to



Pictured at Farmers & Merchants Bank, Carlinville, are (clockwise from top): Gary Dilley, cash./chief operating officer; Don "Pete" Denby Jr., pres., and Betty Rutherford, data processing supervisor.

Elizabeth Chappell White is a free-lance writer based in St. Louis.

Farmers & Merchants Bank, Carlinville, Ill., founded in 1904, has occupied these colonial-style quarters since 1969.

explain what it was doing and assured bank employees they were not on trial. We held meetings with the entire front-line staff to discuss what, why and how things were going to be done. In the end, everyone was satisfied."

The complete diagnostic review takes from four to 16 weeks, depending on a bank's size and program modules selected.

The program includes examination of such areas as pricing for existing services, recommendations for new services and pricing, methods for converting non-earning assets to earning assets and employee-productivity improvements.

"Peat Marwick helped us work along with it to break down each operation into miniscule segments. Now we're more aware of how we do things and why."

"We come in as an outside, objective third party," says Mr. Drakey. "We bring a fresh perspective to looking at how a bank operates. Our consultants serve as the devil's advocate, questioning how everything is done and determining whether it can be done better. We challenge it on a positive basis, acting as catalysts to increase profits."

The program involves maximum utilization of bank staff in collection of necessary data. This helps minimize on-site consultant time and prepares the bank staff to step in and quickly implement resulting recommendations.

"Cost effectiveness usually goes beyond just repaying the initial program investment," says Mr. Drakey. "It isn't the norm, but we've seen returns as high as 30 times the amount invested."

Peat Marwick charges a flat fee for the program, based on work level needed. It does not charge a percentage of dollar amount of increased profits that are recommended.

Thus, Peat Marwick is in a position to make only strong and solid recommendations. "No pie-in-the-sky list of recommendations that do nothing more than drive up the program's cost to the banker," says Mr. Drakey.

Mr. Drakey says his staff consultants see a lot of banks, and they know from observation what works and what doesn't. "Our clients benefit from our experience. We help them utilize the most effective methods for their individual banks from having looked at many banks in the area."

At Farmers & Merchants Bank, management and staff were interviewed by Peat Marwick consultants, and specific details on existing activities were collected through further interviews, log forms, questionnaires and observations. In addition, surveys of competitors' activities were performed.

"This was not a hit-or-miss operation," says Mr. Denby. "It was a thorough examination of what we were doing and how we might do it better."

The result was that Farmers & Merchants Bank would get more money for its money.

On service charges alone, Peat Marwick was able to recommend changes that could bring an increase of over $92,000. Peat Marwick reviewed the bank's pricing policies in over 20 different services, including return checks, safe-deposit-box fees and overdraft charges, and found them undervalued. These adjustments were arrived at after comparing Farmers & Merchants with three other banks in the area.

Although management recognized that such service-charge adjustments could result in some lost customers, it decided to opt for reduced congestion and volume at teller windows and drive-in lanes and fewer transactions in back-room operations. Remaining accounts then could generate more revenues as a result of the new service charges.

For example, increased service charges on low-balance, high-volume checking accounts will reduce the number of those accounts. However, at the same time, these service charges will increase the number of high-balance, more profitable accounts because customers will want to avoid the charges. This would mean a gain of approximately $17,200 for Farmers & Merchants Bank.

"It (the profit-improvement program) covered everything from opening the door in the morning to closing the door at night."

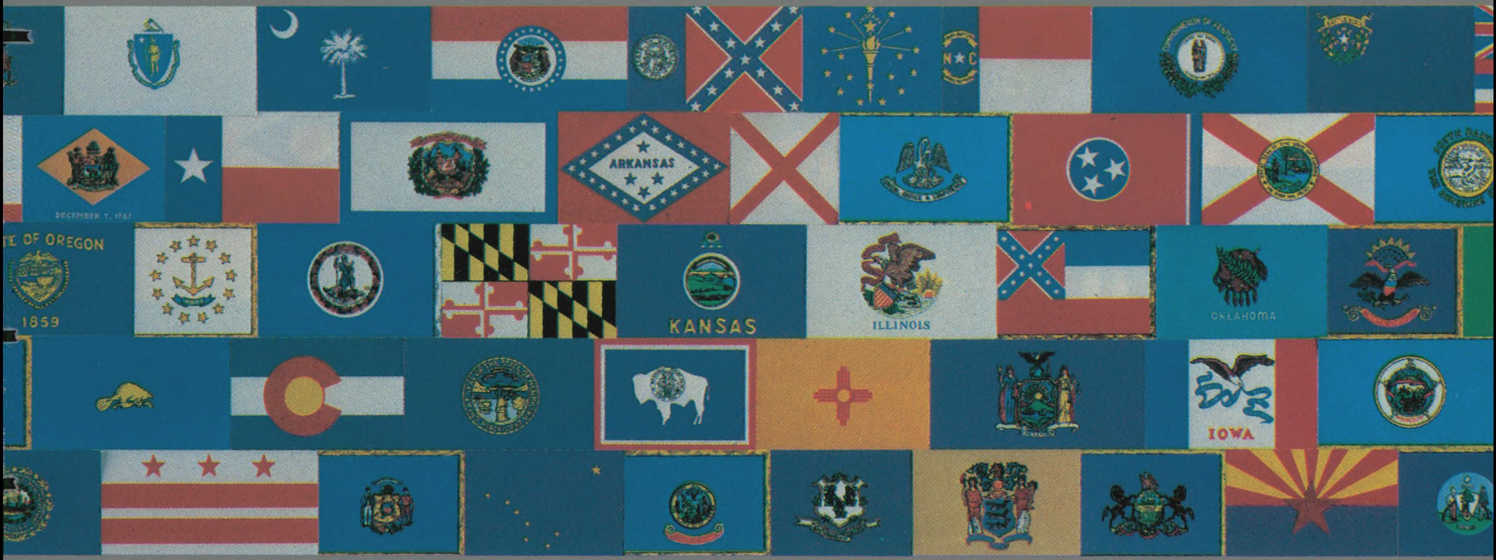
At management's request, Peat Marwick prepared a detailed review of loan administration at the bank. Loan pricing was an area where the firm helped increase profitability. Farmers & Merchants previously had had no formalized pricing mechanism for reviewing credit. Generally, the charge had been the maximum rate permitted by Illinois law, and, since mid-1980, the bank had been setting its rate approximately 1% higher than its competition.

Peat Marwick recommended that the bank adopt a formal loan-pricing policy in which not only the rate would be considered, but also the term, risk and amount of the loan. The bank also should structure loan maturities in order to negotiate the rate at periodic time intervals, i.e. monthly or quarterly.

Suggestions also were made to improve the bank's asset/liability or "gap" management. By doing a better job of matching maturities of rate-sensitive assets and rate-sensitive liabilities, the bank would maximize its net interest margin.

As part of the program, Peat Marwick reviewed the cash-management function at the bank. It was determined that excess balances were being

(Continued on page 77)



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Fred S. Kummer, pres., St. Louis-based HBE Corp., hands $300 check to employee who has bought new American-made truck under firm's "supplemental pay" check program designed to encourage employees to purchase new U. S.-made vehicles in attempt to help revive ailing auto industry.

Firm Promotes Sale of U. S.-Made Autos By Offering Employees $300 Rebates

A ST. LOUIS design/build firm has spent $39,000 in the past year to encourage its 1,750 employees to purchase new American-made cars or trucks. The firm's efforts are responsible for 130 new vehicles leaving the showroom during the 12-month period. Each employee of HBE Corp. taking part in the program is given $300 by the firm when an American-made auto or truck is purchased.

"We felt this was a positive way of promoting the purchase of American-made products," said Fred S. Kummer, president of HBE. "We offered our employees a $300 incentive — above any dealer-rebate offer — to buy vehicles made in this country." The plan has been extended indefinitely by the firm.

HBE's auto-rebate plan was initiated by Mr. Kummer through a company memo distributed in the spring of 1981. The memo promised a $300 "supplemental-income" check to employees purchasing a "new, American-manufactured and assembled passenger car or truck."

The only other restriction was that an employee must have been with the firm at least six months before qualifying for the rebate.

Employees were reminded that it was in their "mutual interest for America to have a healthy automotive industry."

Mr. Kummer says he doesn't know how many other firms might have adopted a similar plan, but he feels vehicle sales could get moving again if the idea catches on.

HBE Corp. designs and builds financial institutions, hospitals, medical office buildings and retirement villages. It also is in hotel construction and truck/equipment leasing. ● ●

Pricing Is Pivotal In Determining Profit/Market Share

By Daniel Huyser

PRICING is a critical element in a bank's marketing plan and a major determinant of both profit and market share.

As banking deregulation continues and Regulation Q is dismantled, the banking industry will move progressively from retail-deposit interest rates based on regulation to retail-deposit interest rates based on cost, competition and demand. With the freedom to establish interest rates on retail deposits, a bank must design competitively profitable deposit instruments that achieve the bank's earnings and market-share objectives.

Designing competitively profitable deposit instruments is one of the major challenges a bank will face in an interest-rate-deregulated environment. Impending changes in the financial marketplace doubtless will entail deregulation of many financial powers and evolution of new and increased financial needs and preferences of retail bank customers. These developments will present enticing opportunities for modifying existing and introducing new financial products and services. Here also a bank is challenged to design competitively profitable financial products and services. Therefore, pricing assumes a pivotal role in determining profitability and competitiveness of financial products and services.

Pricing decisions must be made in five general situations:

One situation that calls for a pricing decision is when a bank introduces a new financial product or service such as overdraft-check protection, a club account, a negotiable-order-of-withdrawal (NOW) account, a retail-repurchase agreement or a variable-rate individual retirement account (IRA).

Another pricing situation is when a bank wonders whether a price is in the proper relation to cost such as changes in costs of labor, data processing, regulatory compliance and funds.

A third pricing situation is when a bank wonders whether a price is in the proper relation to consumer demand (needs, preferences, tastes) such as changes in interest sensitivity and price elasticity.

A fourth pricing situation is when a bank wonders whether a price is in the proper relation to the price of a competitor's financial product or service, such as changes in minimum- or average-balance requirements for a free transaction account, fees charged for an overdraft or stop payment, earnings credit rate on collected balances, interest rate on a credit-card line of credit and interest yield on a 30-month small-saver certificate.

A fifth pricing situation is when a bank wonders whether the price of one financial product or service is in the proper relation to the price of another product or service, such as the relation of the price structure of a demand-deposit account with the pricing of a NOW account or the price of a not-sufficient-funds compared to the price of a stop payment.

Thoroughly considered, pricing bank products and services has three basic determinants: cost, demand and competition. A significant change in price determinants of cost, demand or competition may result in several basic pricing responses, which include increasing the price, offering the same price, decreasing the price and changing the pricing structure.

Changing the pricing structure frequently is a desirable response when a bank wants to camouflage a price increase, to influence selectively (differentially encourage and/or discourage) customer actions or to improve its control over gross profit margins.

DANIEL HUYSER is a vice president at Sheshunoff & Co., bank-specialist firm, headquartered in Austin, Tex. He formerly worked at a small financial-marketing-consulting firm in Chicago and was involved in market research, market analysis and product development. Mr. Huyser continues these activities at Sheshunoff & Co.

An excellent example of changing the price structure to accomplish all three of these objectives is repricing a transaction account from a low monthly fee charged all accounts to a tiered balance/activity/fee matrix that provides free checking for account holders with transaction, regular savings or time-deposit balances above a certain minimum. Here the bank raises prices on low-balance-account relationships and lowers prices on high-balance-account relationships, encouraging customers to maintain or raise total balances. The new fee structure is sufficiently different from the former structure to camouflage the price increase. Finally, by adding activity and balance dimensions, the bank improves its control over gross profit margins.

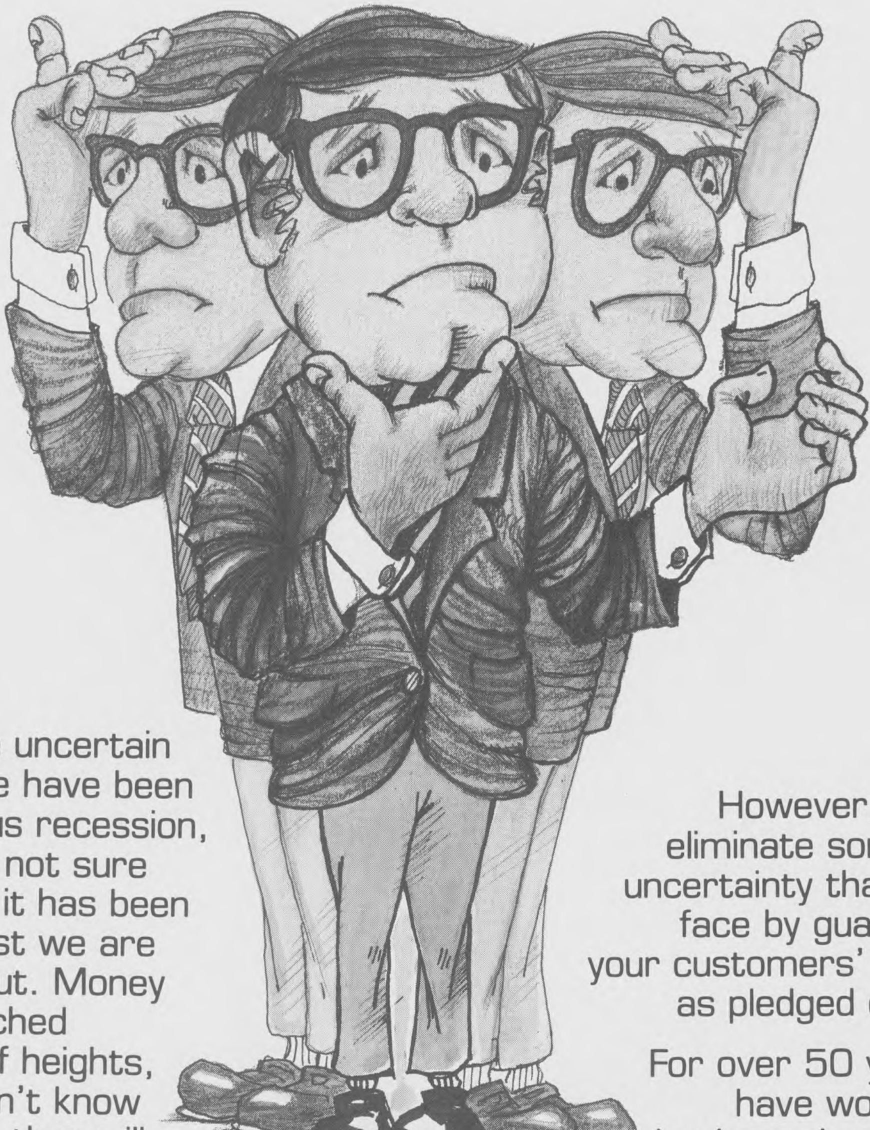
Other reasons to change the price structure include improving fairness, making it simpler to administer and/or understand and discouraging price comparisons.

Foremost, it is essential to recognize that a bank has a wide variety of alternate responses to changes in cost, demand or competition, which may or may not include a direct pricing change. Other response dimensions besides pricing include product, promotion, distribution and markets.

For instance, in response to cost increases, a bank may choose to improve productivity, decrease product quality or service level, reduce advertising, reduce employee training, reduce staffing levels, reduce banking hours, eliminate certain product or service features, substitute product features, target a more profitable market segment or raise prices on other related or unrelated products or services.

Banks price financial instruments in three dimensions: interest rate (or alternatively earnings credit rate), minimum balance and fees. Minimum balance is a frequently overlooked

Uncertainty.



These are uncertain times. We have been in a serious recession, but we're not sure how deep it has been or how fast we are climbing out. Money rates reached unheard of heights, but we don't know how much they will drop or if they will drop back to normal. Some of our large, basic industries are in trouble. Our economic stability is dependent on a steady flow of petroleum imports which may or may not prove dependable.

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pricing dimension. To correct this, I will highlight the minimum-balance dimension.

Establishing balance requirements for retail-deposit accounts is important for two reasons:

One, minimum-balance requirements serve as a barrier, a form of price rationing. Individuals who do not have the requisite minimum amount of funds for a particular account cannot open that account. The minimum-balance level determines accessibility to a given deposit account and attractiveness of a given deposit account relative to other accounts of the bank or a bank competitor. The higher the minimum balance, the greater the accessibility and attractiveness relative to other deposit accounts. When the bank wants to encourage customers to open a given deposit account, a relatively low-minimum balance will enhance the accessibility of an account. Conversely, when the bank wants to discourage customers from opening a given deposit account, a relatively high-minimum balance will diminish the accessibility of an account.

Two, a minimum-balance requirement is an extension of determining the effective interest yield for a deposit account. The effective interest yield is a function not only of the nominal interest yield, but also account-operating costs and any other non-interest costs. Since all non-interest-account costs essentially are fixed costs, the higher the account balance, the lower will be non-interest costs per balance dollar in the deposit account and, accordingly, the lower will be the effective interest yield.

To bring minimum-balance considerations to life, I will review the role the minimum-balance requirement played in the introduction of the NOW account.

When NOW accounts were introduced nationwide in 1981, commercial banks were faced with a particularly troublesome problem. Since commercial banks already were the major, if not the sole, supplier of transaction accounts in communities outside New England, introduction of the NOW account meant banks would begin to pay more for existing deposits as DDA balances shifted into NOW accounts and earned 5¼% interest. This retail-deposit conversion had the potential to increase immediately and dramatically the effective interest cost of those deposits. The higher the percentage of retail DDA to total deposits and the higher the percentage of long-term, low-yielding, fixed-rate earning assets to total earning assets, the greater the threat conversion to NOW accounts posed. Since there would be effectively no new funds, the marginal earning-asset yield in this instance was the current average-earning asset yield or, alternatively, the yield on the earning assets to which DDA balances were matched. Inevitably, the cost of funds was to rise. Banks had to price the NOW account carefully. If the NOW account was priced too low, DDA conversion would be encouraged. If the NOW account was priced too high, relatively cheap funds would leave the bank and have to be replaced by expensive wholesale funds.

To exacerbate an already painful situation, savings and loans all across the country were eager to attract NOW deposits, which — at high enough balance levels — were an attractive, reasonably if not cheaply priced, source of new funds. To complicate matters further, market interest rates were at levels much higher than a fair-to-good portion of the long-term, fixed-rate earning assets for most banks and S&Ls. High market interest rates translated into a high alternate wholesale cost of funds for both banks and S&Ls. But the critical difference between banks and thrifts was that for thrifts these high market rates also meant high marginal earning-asset yields. In general, thrifts enjoyed considerably higher marginal earning-asset yields than did commercial banks. Hence, from a marginal-earning asset-yield standpoint, NOW-account deposits, all other things being equal, were worth more to thrifts than to banks.

To blur the basic issue, but to enhance the same conclusion, certain consultants were telling thrift executives it was okay to use incremental costs and not fully absorbed costs and that NOW-account activity would be well below DDA activity. Of course, these assumptions decreased annual-operating-cost projections of a NOW account. Together with a high net-interest margin, the comparatively low annual-operating cost produced a break-even average balance well below the typical NOW account break-even average balance for a commercial bank. Finally, to accentuate the difference in operating cost, thrifts employed a generous average balance/minimum balance ratio to calculate their minimum-balance requirements. The result was a vast difference between the NOW-account minimum-balance requirements for banks and thrifts.

To introduce a different perspective, but to enhance the same conclusion, certain consultants were telling bank executives that to penetrate the transaction-account market, S&Ls would underprice commercial banks. These consultants went beyond the cost perspective and concentrated on the competition perspective. Their advice to banks in essence was to price profitably because no matter how low the bank set the minimum balance for a free NOW account, thrifts would offer a lower minimum balance. Banks still had a choice, given this advice. Banks could offer a reasonable (and profitable) minimum balance, or banks could offer a high (and potentially more profitable) minimum balance.

There were two perplexing un-

known variables in the introductory pricing of the NOW account. One unknown variable was what the competition's minimum balances and fees would be. But the important unknown variable was the minimum-balance sensitivity and fee sensitivity of each bank's retail-customer base. By and large, this critical dimension was ignored. But this demand sensitivity was the key issue for commercial banks. The higher the bank set the minimum free NOW-account balance, the less attractive the NOW account was for individuals with unqualifying balances.

Demand sensitivity of the moderate-balance account holders was the critical unknown. If the bank priced too high and thereby encouraged a profitable NOW account to leave the bank, the bank increased its cost of funds *more* than if the DDA account had converted to a NOW account. In the high-interest-rate environment, banks would have to replace lost transaction-account funds with expensive wholesale funds. Most banks did not consider this in their NOW-account pricing. If they had, they would have calculated an equivalent-yield balance to determine the average balance at which the NOW account and alternate wholesale funds had equivalent net yields. In the high-interest-rate environment, the equivalent-yield balance was considerably lower and, therefore, considerably more attractive than the break-even balance. In short, banks that priced high may not have succeeded in minimizing the increase in their costs of funds.

For banks that did price high, demand sensitivity of transaction-account holders with balances between a NOW equivalent-yield balance and a NOW-break-even balance determined whether the bank priced optimally. Whether they knew it or not, banks took a calculated risk by pricing NOW accounts high. For banks that priced high *successfully*, minimizing the internal conversion of DDA balances to NOW balances more than offset DDA balances that left the bank and had to be replaced by high-yielding wholesale funds. For banks that priced high *unsuccessfully*, minimizing the internal conversion of DDA balances to NOW balances did *not* offset DDA balances that left the bank and had to be replaced by high-yielding wholesale funds.

Dynamic Situation. Minimum-balance requirements should be reviewed periodically because determinants of the break-even balance and equivalent-yield balance are so dynamic. Total operating costs have been rising steadily for transactions. This trend is due to the effect of inflation on labor, material and overhead costs as well as to an increase in account activity. And with the volatile-interest-rate environment, the net-interest margin for both the break-even balance and equivalent-yield balance can expand and contract on a weekly basis. A third variable element is the average-balance/minimum-balance ratio for a transaction account.

With many interest rates still at high levels, the increase in marginal net-interest margins probably more than compensates for cost increases. For the many banks that priced their NOW accounts quite high when they were introduced in January, 1981, a reduction in minimum-balance levels could well be indicated from an equivalent-yield-balance point of view. However, before following through with such a decision, a bank should assess the demand and competitive situations as well as an estimate of lost-fee income. Unless a bank is in an especially competitive market, a balance-sensitive market or a rapidly growing market where the incidence of newcomer comparative shopping is high, then, more than likely, loss in fee income will substantially exceed the net-interest-revenue gain from new NOW balances the more competitive pricing structure will attract.

When interest rates eventually do come down, net-interest margins of DDAs and NOW accounts will contract. If this situation is combined with continuing operating-cost increases, the bank inevitably will have to raise minimum balances and/or monthly fees. • •

Committee Formed by BAI To Address Data Security

A data-security committee has been formed by the Bank Administration Institute. Purpose of the committee is to help the banking industry reduce risks and exposure associated with complex data-gathering and processing systems.

Committee objectives include focusing management attention on key data-security issues, developing data security as a recognized business function in banking, identifying education needs and providing leadership to fulfill those needs, establishing standards for data security in banking, facilitating communication among data-security practitioners and proposing methods and techniques for protecting bank data assets.

Critical Banking Issues Addressed At Independent Bankers' Convention

DESPITE the soft trade winds blowing off the blue Pacific in Honolulu in March, many of America's independent bankers were more concerned over the buffeting they were suffering from winds generated by the economic slump, thrift-industry crises and the impact these problems could have on the banking industry. Some 2,500 bankers were in attendance at the 52nd annual convention of the Independent Bankers Association of America (IBAA).

Representatives of the U. S. Congress urged bankers to be patient with the Reagan Administration's program to reduce inflation, albeit they had some recommendations that would change certain aspects of the President's program. Federal regulators told community bankers to prepare for deregulation by positioning their banks more strategically in the financial-services market.

If there was a common thread running through the addresses of those representing the banking industry, it was an encouraging word about the ability of smaller banks to compete, based on performances of these banks in recent years.

Still, there was a feeling of urgency and a deep concern over how long community banks could continue to compete, given little hope for real reductions in interest rates, the outflow of deposits to money-market mutual funds and the impact these two major problems are having on small-business and farm customers of their banks.

IBAA President W. C. Bennett, keynoting the convention, called for Congress to cure the disease and not the symptom in dealing with the problems of the thrift industry — problems that threaten commercial banks if not resolved soon. Mr. Bennett is CEO, Arthur State, Union, S. C.

"Giving thrifts commercial-banking powers only strengthens the survivors," he said. "And turning problem institutions over to the major financial conglomerates isn't helping thrifts, it's obliterating them. The next step would be to obliterate us."

The best hope for thrifts lies in finding a positive remedy for their low-yielding mortgage portfolios to address the problem of insufficient income during a period of high interest rates, Mr. Bennett believes. He also would like to see Congress inject capital into distressed institutions combined with an orderly circumscribed takeover of failing thrifts and mutuals via enactment of the House-passed Regulators' Bill.

Bank-like regulation of money-market mutual funds and other entities that offer bank-like services, the IBAA feels, would help stem the flow of funds and financial credit out of the nation's communities. Regarding the economy, Mr. Bennett stated, "It's imperative for our banks and our customers that the (federal) deficit be brought under control so the Fed alone isn't asked to carry the full burden of the fight against inflation."

William Issac, FDIC chairman, characterized the next five years as critical to the evolution of the nation's financial system. "I'm convinced we will witness more changes in the next five years than we experienced during the previous 50 years," he told delegates.

"Contrary to the claims of some," he continued, "the government is not the driving force behind this revolution. Indeed, the government is lagging woefully behind developments in the marketplace. Events now are occurring at such breakneck speed that by the time a trend is generally recognized and a consensus achieved on how to respond, new events render the proposed response ineffective."

As an example, Mr. Issac pointed back at the 1980 Monetary Control Act which, when passed, was regarded as revolutionary. "How inadequate that law now seems.

"The hour is late," he continued. "We must get on with a comprehensive package to restructure and aid the thrift industry. I ask your support in that endeavor because I believe it is in the national interest and in your best interest. Until we stabilize conditions in the thrift industry, it will not be possible to implement the measures you need to compete effectively in the new environment."

Mr. Issac called for swift enactment of the Regulators' Bill to give insuring agencies greater flexibility in dealing with failing institutions. He also called for swift passage of the Garn Bill — or something similar to it — to facilitate the handling of failing thrifts. He looks to greater asset powers for thrifts and an override of state usury laws and due-on-sale prohibitions.

In addition to accounting reforms for thrifts to help them restructure their asset portfolios, he urged the DIDC to authorize deregulation of deposit interest-rate ceilings.

And, as later speakers were to repeat, the FDIC chairman reminded his audience that it was not thrifts that

New IBAA officers pose with outgoing Pres. W. C. Bennett (2nd from l.) at Honolulu convention. From l.: Pres. Robert L. McCormick Jr.; Mr. Bennett; 1st V. P. James D. Herrington; 2nd V. P. Paul H. Bringgold; and Treas. James R. Taylor.

represented the greatest competition to commercial banks, but rather nondepository institutions. And he added a note of optimism: "I am convinced of the strength and true value of our nation's community banks. Given the freedom to compete on an equal basis, you can withstand any competitive challenge."

Senator Roger W. Jepsen (R.,Ia.) underscored a theme that the attitude in Congress is to go slowly in areas of regulation at present. He reported that more than 23,000 pages of regulations have been scrapped in a year's time.

He supported the Administration's program, citing the belief that the current recession has been caused by the bankrupt policies of the last 20 years. "The new incentives are powerful tools for rebuilding our economy — to expand, modernize, create jobs. Economic recovery is going to take time, but we have no other choice," he said. "We are rebuilding the economy from the bottom up; not from the top down.

"The greatest resource this country has is its people," Senator Jepsen said. "And America must build on the successes of individual people." He also defended the Administration's stand on increased expenditures for defense.

The Administration's program was criticized during the second general session by Congressman Cecil Heftel (D.,Hawaii). He contended that Fed Chairman Paul Volcker has already negated possible chances for success of the Economic Recovery Act by letting interest rates rise. And he blamed both sides of the congressional aisle for inaction of Congress. "Each side is blaming the other for the situation." And he pointed to the dissension among the various deposit-taking institutions as the reason Congress is slow to act.

"Financial institutions must compromise, must make a unified statement before Congress will do anything," he said. "No one seems willing to make sacrifices to get the system going. In the next three months, we're going to see just how much courage there is in Congress.

"And remember," he concluded, "if Congress does nothing, even that will hurt you."

C. T. Conover, Comptroller of the Currency, had his own set of admonitions. Recognize today's realities, stop fighting change and manage your banks better were three points he emphasized before reviewing the banking industry's major problems. Among these problems, he cited the growth of money-market mutual funds and the inability of banks to compete in today's marketplace because of restrictive and burdensome regulations — regulations that once were viewed as protections.

"Still, banks have been performing rather well in spite of these problems — particularly the smaller banks," Mr. Conover said. "And you've been doing well in every state, regardless of branching situations in those states.

"What are you afraid of?" he asked. "Thrifts and the big banks? If so, you're fighting the wrong battle. The real threat is from nonbank competitors."

Turning to possible solutions, the Comptroller asked for a partnership between banks and the government. "Let deregulation occur even if this means broadening the powers of all institutions and breaking down geographic barriers. Let interstate mergers continue for ailing thrifts."

Representing the Farm Credit System was Don L. Hovendick, president, Federal Intermediate Credit Bank, Omaha, who outlined the new farm-discounting program.

His theme was commercial-bank access to Farm Credit System funding through OFIs, or Other Financial Institutions. And he gave a fairly detailed review of how commercial banks, when pressed for funds, could use the agency's program to advantage.

"The need for supplemental ag-production-loan funds can be met through loan-participation agreements between commercial banks and Production Credit Associations (PCAs)," he said. "The enormous potential of this program has not yet been tapped. It's faster, easier and done locally. Participation simply amounts to the establishment of overline relationships between local banks and the PCA in their areas. It can and it does work. It's good for the bank, it's good for the farmer and it's good for the PCA," he reported.

Kenneth A. Guenther, IBAA executive director, brought members an update on happenings on the banking front in Washington.

Reporting on recent resolutions being rushed through Congress to place the full faith and credit of the U. S. government behind the thrift industry, Mr. Guenther said the next question will be what additional legislation will be coming down the road to deal directly with this crisis, and how will legislative efforts to exploit the crisis be contained?

He reported to the convention that the IBAA has joined the Conference of State Bank Supervisors in supporting the House-passed Regulators' Bill that facilitates capital infusions into troubled thrifts and provides for the orderly takeover of failing thrifts and large failed mutuals.

"The IBAA has not supported legislative proposals such as Title III of the Garn Bill that essentially would convert thrifts into a new class of favored commercial banks," he said. "There are no responsible voices who claim that giving thrifts such powers will do anything to help them over their immediate crisis."

Such proposals are supported by the FHLBB, the FDIC and the Treasury Department. "Giving thrifts such powers looks toward enhancing their franchise as the regulatory agencies seek merger partners and this saves the hard-pressed insurance funds money. But what is good for the FSLIC or FDIC insurance funds is not necessarily good for the financial and economic structure of this nation."

According to Mr. Guenther, there is almost no likelihood that the Garn Bill will emerge from committee. "Subsequent proposals are expected, but haven't yet emerged.

"It's likely that in the remaining months of this Congress and in 1983 that tremendously important policy issues will be at stake affecting your banks, the value of your bank stocks, even the grass-roots democratic structure of this nation. Financial concentration and destruction of local decision-making centers have profound political ramifications," he said.

New IBAA officers for 1982-83 were installed at the closing banquet. They include Robert L. McCormick Jr., IBAA president, and president/CEO, Stillwater (Okla.) National; James D. Herrington, IBAA first vice president, and chairman/president, Coldwater (Kan.) National; Paul H. Bringgold, IBAA second vice president, and president, First National, Cannon Falls, Minn.; and James R. Taylor, IBAA treasurer, and president/CEO, McKeesport (Pa.) National. • •

Three Mid-Continent-area high school seniors were named winners of the first Howard and Katherine Bell Scholarship Fund competition at the IBAA convention. Contestants from throughout the nation wrote short essays on community banking and its impact on the community.

Named were Maria Sandra Kunkel, Enid, Okla., who placed first and was awarded $12,500, sponsored by Community Bank, Enid; Sherry Argent, Goodsprings, Ala., who placed second and received $1,500, sponsored by Bank of Parrish, Ala.; and Mark E. Gommel, Malta, Ill., who placed third and won $1,000, sponsored by First National, Malta.

Poetry Helps Bank Employees Gain Perspective on Jobs

BANKS always are looking for ways to get their employees more interested in and enthusiastic about their jobs, but Northwestern National, St. Paul, Minn., found an unusual method of doing this. The bank inspired its personnel to write poetry about their jobs.

A professional poet was brought into the bank for a series of noontime workshops in poetry writing. Participants in the program, called "In the Company of . . . a Poet," included employees from all bank departments, from managers to maintenance personnel. For 16 weeks, the class read poetry, were visited by local and national poets, wrote poetry of their own and shared it with other participants.

The program was arranged by Northwestern National through the Minnesota community-arts organization, COMPAS, and is said to be the first of its kind in the country.

Because of the workplace setting, the workshops placed special emphasis on poems about the work experience. For instance, a loan officer assigned to choose an animal that reflected what she did in her job wrote about "The Loan Walrus."

The workshops produced an unexpected result, says Jim Moore, poet/teacher in the program. "The workshops became a way for people with different job responsibilities to come to a new understanding and appreciation for each others' roles and responsibilities," he points out. "Supervisors and employees worked together in a personal, intimate perspective, hearing honest things about one another's jobs."

In addition to bringing out the creative side of the bankers, the program offered participants an experience in personal and career growth. One participant reapplied for a different job in the bank with more extensive responsibilities than she had. Her experience in the workshop program inspired her to act because, as she says, "I developed insight into myself. When I read some of the poems I wrote, I realized my own language was capable of a punch and strength I thought had left me some time ago. Consequently, I asked to be trained into some other bank area I perceive to be more challenging."

Larry Buegler (r.), CEO, Northwestern Nat'l, St. Paul, Minn., accepts framed broadside of poetry from Molly LaBerge, exec. dir., and David Hunneberg, pres., COMPAS, Minnesota community-arts organization. Poetry was written by bank employees during 16-week "Poet-in-the-Bank" program sponsored by Northwestern Nat'l and COMPAS.

Teacher Jim Moore notes that this positive effect on the self-confidence — and, consequently, on work motivation — was noticeable in all program participants.

One of the most valuable effects of the program, according to its participants, was that it provided a forum for thinking about their work in new ways, developing a better perspective on what they did eight hours a day.

Poet/teacher Moore comments, "People would joke and let off tension through their writing. Work has been a major life commitment for employees in the program. Writing was a chance to think about their problems on the job and in their lives and resolve them through the creative process."

The program is funded by the bank's community-development area and jointly coordinated with the human resources division. It has been received enthusiastically by bank management. Barbara Schmidt, assistant vice president/marketing and community development, says, "We were experimenting when the program was initiated. The concept of the 'Poet-in-the-Bank' program was untried and, frankly, not understood by many in the bank during the first stages. But, with time, the concept proved itself."

John Carlson, vice president/human resources, adds, "The workshops expanded participating-employee understanding and commitment to their work at the bank and helped each individual explore and understand in a realistic way his or her potential. Northwestern National always has had a strong commitment to making the bank a positive, human environment for our employees. In a large organization, it's important for individuals to have opportunities to distinguish themselves and explore their special talents. It helps them, as well as the bank, grow." ● ●

● Mosler Safe Co. Bullet-resistant protective partition systems are available from this firm, manufactured of 1¼" clear acrylic or polycarbonate. A patented baffle system allows private conversations. Also available are bullet-resistant doors, panels and related items and package-exchange units with teller-controlled door locks to allow passage of coin bags and large envelopes without breaching security. Write: Mosler Safe Co., 1561 Grand Blvd., Hamilton OH 45012.

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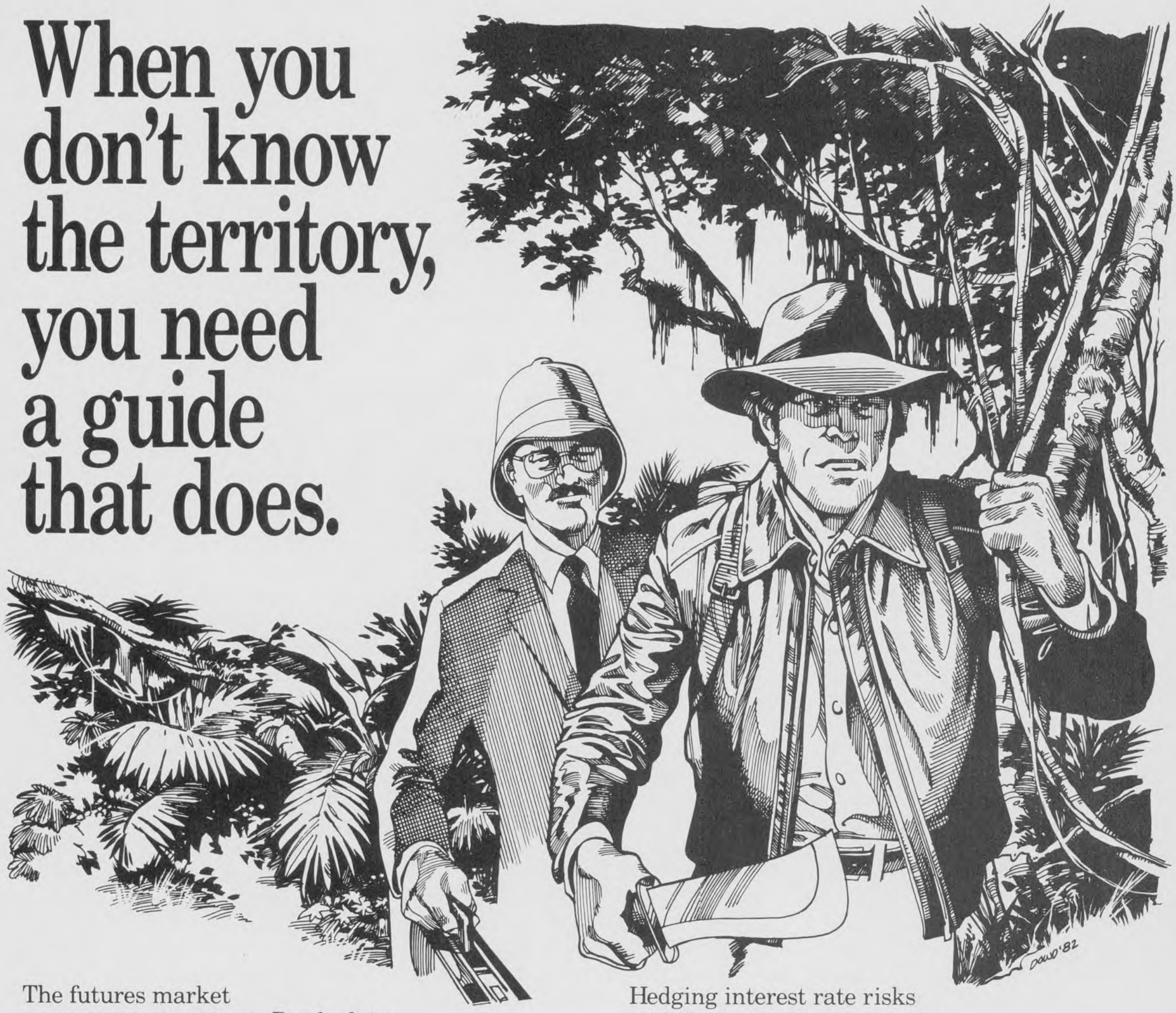
Personnel Officer

(Continued from page 23)

bank work. In total, the personnel department interviews over 5,000 people a year and reviews many thousands of résumés.

What kinds of tests should a bank give potential employees? Mr. Juengst says Mercantile places limited emphasis on preemployment tests. His department asks applicants on the nonexempt level to solve simple addi-

When you don't know the territory, you need a guide that does.



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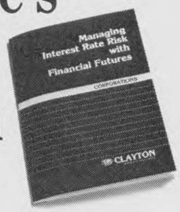

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He cautions that if such tests are used as the primary decision-making tool, they must be structured to not have a negative impact on "protected classes" (any group or member of that group protected by laws that bar discrimination on the basis of race, color, religion, sex or national origin).

When it comes to references listed on job applications, Mr. Juengst advises checking them carefully, verifying dates worked, termination dates, types of job held, etc. Also, college degrees should be verified, says Mr. Juengst, pointing to the infamous Janet Cooke incident at the Washington *Post* (Miss Cooke allegedly claimed an educational background that was false and wrote a Pulitzer-prize-winning article on a juvenile dope addict that turned out not to be based on fact). He gives little credence to personal references since a person's friends are not likely to say anything derogatory.

In the educational area, Mr. Juengst continues, he believes grades are important, but not all-encompassing. This is true particularly if a person has been out of school for some time and has proved to be a good worker in his/her previous jobs.

Mr. Juengst does place importance on the personal appearance of a person who comes in for a job interview. He believes if a person dresses carelessly or sloppily then, he or she won't look any better on the job. On the other hand, if someone takes the trouble to wear appropriate clothing and to look neat for a job interview, it indicates proper perspective and attitude. He adds that in some bank areas where people have to do physical labor, such as lifting cartons or working with equipment that soils their clothes, employees can't be expected to wear their Sunday best.

Even if a bank doesn't have a formal dress code, says Mr. Juengst, it should have guidelines, as does Mercantile, so no one shows up in a sloganed T-shirt, sandals, sweatshirts or any extreme dress not generally considered by the public as business wear.

Mercantile provides career apparel for its tellers and floor people and work smocks in some "back-room" operations.

The job-interview can prove to be sensitive, warns Mr. Juengst, because it's there that the wrong questions may be asked, questions the interviewer may think are perfectly innocent, but that, actually, violate some of the federal laws listed in the beginning of this article.

For instance, don't ask a person's age, marital status (single, widowed, divorced, or separated), spouse's name and line of work, religion, languages spoken (unless, of course, speaking a certain language is a requirement of the job being sought) or what organizations the applicant belongs to.

After a person is hired, however, it's all right to find out number of dependents, marital status, age, etc., because such information is needed for a bank's insurance and pension plans and for determining how much income tax to withhold from an employee's wages.

A bank can check on whether an applicant has ever been convicted of an offense and obtain his or her credit record if the applicant authorizes the personnel officer to do so.

Mr. Juengst believes a good interviewer will let the applicant do most of the talking because more background information will be divulged that way. He says an average of 15 minutes is spent on a personnel interview with a nonexempt-level person, much longer for experienced or professional persons. If the applicant shows promise, he or she is sent to talk with the supervisor or manager of the department with the job opening. The personnel interviewer generally does the screening for basic qualifications, but the supervisor makes the decision on the person's employability.

He believes in letting a person who isn't hired know the decision as soon as possible, but the time depends on number of people being interviewed and the difficulty of the job. A personal phone call or letter is a good touch but due to time constraints, Mercantile sometimes responds with letters typed in its word-processing department (such letters are done by computer, but look individually typed).

Exit interviews can be valuable to a bank, says Mr. Juengst, noting that employees terminating from Mercantile have the option of filling out a form before they leave. Mr. Juengst says that these people often are candid and may throw light on some problem areas in the bank. Such interviews can lead to changes. For instance, he points out, employee benefits were restructured partly as a result of these exit interviews.

If an employee becomes a problem — poor job performance, excessive absenteeism, coming late too many times, taking overlong breaks or lunch periods — don't just store all that information up in your mind, Mr. Juengst advises managers and personnel officers. Keep written records and discuss the problem with the employee. Most people will improve when they clearly understand the problem and know what is expected.

Mr. Juengst agrees with these five suggested rules to follow in the area of probation and discipline:

1. Was there a rule?
2. Did the employee know the rule?
3. Was the rule broken?
4. Was there a warning?
5. Was it enforced uniformly?

If the employee doesn't improve, and the situation becomes severe, Mr. Juengst advises maintaining good written documentation. Then, have the entire record reviewed and understood up the line at progressively higher supervisory levels. After that, depending on the situation, further discipline can be taken, including termination of employment if necessary.

When an employee believes he or she has a problem on the job, perhaps caused by a co-worker or supervisor or department head, Mr. Juengst suggests that such an employee be encouraged to go to someone with authority and talk over whatever is perceived to be wrong. Of course, the other side of the story should be heard, too, from the person the employee believes is causing the problem. Most problems are quickly resolved, but if the employee still doesn't believe the correct action has been taken, and that the problem is one of discrimination, he or she has the option of contacting a government agency and requesting a letter from it setting up a hearing on the employee's complaint.

A personnel or bank officer sometimes has the painful task of requesting a polygraph (lie-detector) test when there is a theft or loss of money in the bank. Such tests are used as much to clear any possible suspicion of an individual as to help discover the cause of the loss. However, there are legal considerations in use of these tests, and Mr. Juengst advises banks not to use such tests without a lot of thought and, when one must be taken, to have a government agency or outside firm administer it.

With all that a personnel officer must do, the job certainly should never be dull, and it is challenging since it includes personnel-policy formulation, employee selection, training/development and employee relations. As pointed out earlier, all these duties sometimes are in addition to one or more other jobs in a bank. Thus, it's evident that just "liking to work with people" is not enough to qualify an individual to be a personnel officer. ●●

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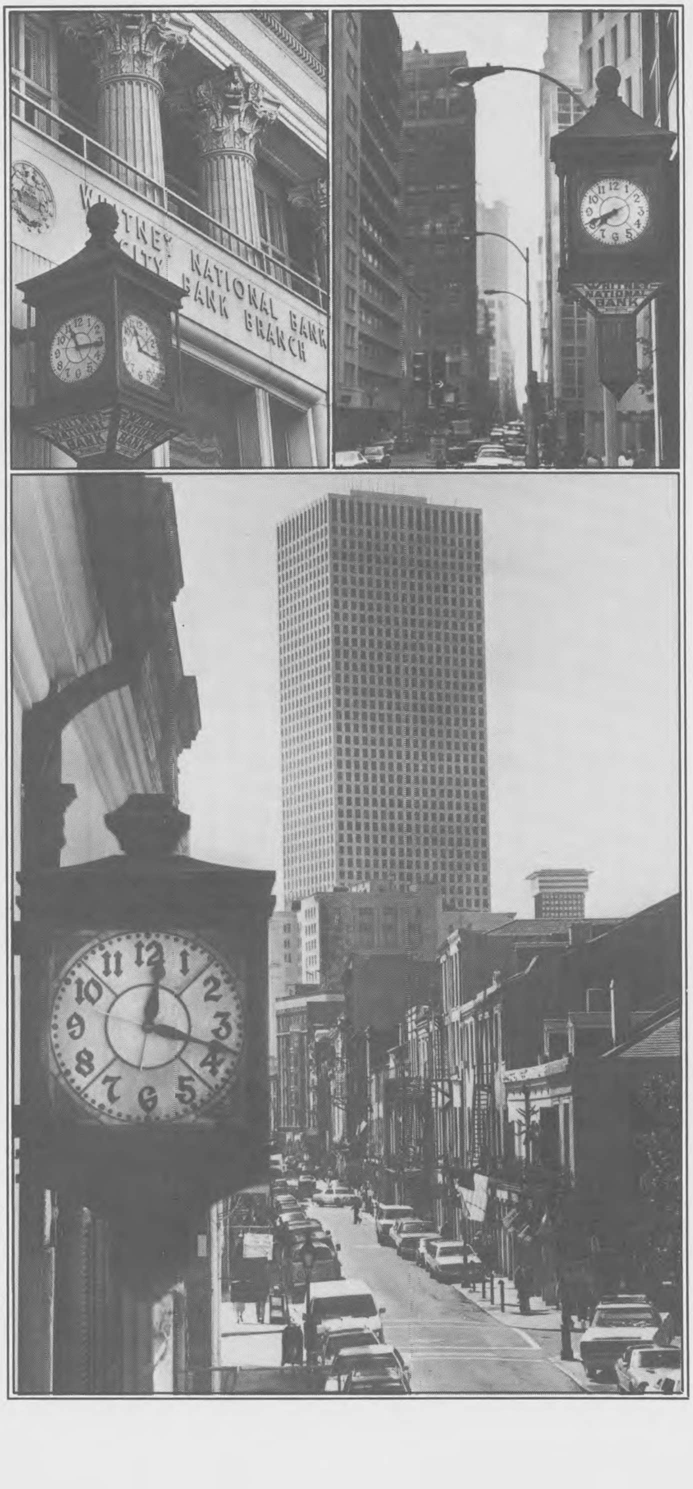

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Politics, Business and Banking Spotlighted at LBA Convention

DID YOU ever try — in a three-day period — to listen to 11 (or was it 12?) publicly known speakers, visit exhibits of some of the latest banking services and equipment, participate in lavish entertainment events and say to yourself as you came away: "I liked it!"

That's what Louisiana bankers were saying last month after their three-day (or was it four?) convention in New Orleans. They heard Mike Wallace of TV's "60 Minutes," Pat Boone, singing star (without his white shoes), one senator, one congressman, one governor, representatives of national banking associations — and, oh yes, former President Gerald R. Ford. And if that were not enough, Saturday afternoon found bankers (led by their wives, probably) sitting through (while some stood) a two-hour session on "Coping With the Stress of Family Living."

It was, indeed, a remarkably "staged" convention!

Politics, of course, with national and state governmental leaders present, occupied the limelight. Under review: the national budget, the deficit and the Administration's "supply-side" economics.

Several speakers already had addressed these subjects when former President Ford stepped to a final luncheon platform, where he paused only briefly to quip about his golfing days with comedian Bob Hope. "Bob," he said, "claims I'm the only man alive who can play on four golf courses at the same time. His worst story about me," said the former President, "is that the other day I even lost two balls in the ball washer!"

But Mr. Ford did NOT lose his audience. They were with him (applauding) when he asked business, banking and the people to "give the President's program a chance. It has," he exclaimed, "just started."

Even though substantial cuts already had been made in the budget, Mr. Ford said he felt "uneasy" about the remaining large projected deficits and he offered a suggestion for trimming these deficits. He would, he said, "stretch out" procurement of some of the "big-ticket" items in the defense budget. That would save billions, he

FORMER PRESIDENT Gerald R. Ford visits with 1981-82 LBA President Charles W. McCoy, prior to Mr. Ford's luncheon speech. Mr. McCoy is chairman and CEO of Louisiana Nat'l, Baton Rouge. Mrs. McCoy is seated on the left.


CONVENTION SPEAKERS "on the front row" prior to their turn on the podium. From left: Congressman Henson Moore, Louisiana's Sixth District; Edward G. Harness, Procter & Gamble, and Senator Russell L. Long (D.,La.).

said, and he doubted that the nation's defenses would be compromised.

The former President also encouraged Congress to look at new taxes, such as those on liquor and gasoline, and various excise taxes in order to improve income.

Mr. Ford also addressed one political "hot potato." A bipartisan commission in Congress, he said, sooner or later will have to recognize one of the "galloping costs" of government and that is the cost-of-living adjustments to ALL retirements for military, federal and social security beneficiaries.

The former President also expressed impatience with the critics of President Reagan's handling of inflation, unemployment and interest rates. He reminded his listeners that when he left office he turned over to President Carter a country with 4.8% inflation, 4 million unemployed and a prime rate of 6½%.

Four years later, he said, the Carter Administration turned back the economy to a Republican President with an inflation rate of 13.4%, unemployment of 7.4 million and a prime rate of 21½%. Today, he said, an inflation rate of 6% and a prime rate of 16½% show progress. And in a recessionary period, it is not unusual that unemployment has moved to almost nine million.

Mr. Ford argued that further reductions in interest rates would follow once the public is convinced that inflation not only is down, but will stay down. Thus, it is so important, he said, that the "battle against inflation must continue."

Mr. Ford's sentiments regarding President Reagan's supply-side economics were echoed by Henson Moore, Louisiana's congressman from the Sixth District. "Give the President's program a chance to work," he said. "It took us 50 years to get here," he said. And we "need more than six months" to get us out of the fix we are in.

"The real problem in the economy, since the Vietnam War, has been a runaway demand for goods and services and not enough supply — thus inflation. Supply-side economists, however, believe the cure is to cut back on consumer demand and to stimulate production. But how do you do this?

"First, you attack the problem of too much demand by saying to government (the biggest spender), 'You've got to stop spending so much money!' Last year, Congress cut spending over the next five years by $467 billion.

"Secondly, Congress passed a tax-reduction program that aims at stimulating the supply side of the economy. From this program the American citizen once again will save a part of his paycheck; business will be prompted to invest and generate even more paychecks. Because investment produces growth, and growth (produces) jobs, this adds up to pulling ourselves up out of inflation and high interest rates.

"Is there any evidence that supply-side economics works?" Representative Henson pointed to West Germany and Japan, where these principles were adopted, as having two of the world's healthiest economies.

He also pointed to Puerto Rico, where a series of tax cuts were passed in 1978 and which, by 1979, had increased tax revenues by 13%. "Today," he said, "there are 100,000 more taxpayers on the rolls in Puerto Rico than were there three years before. Is it working (there)," he challenged!

The recession, of course, is almost totally responsible for current high deficit projections (every 1% in unemployment costs $25 billion in lost revenues). What is needed, the congressman stated, is not an abandonment of the Administration's program, but further cuts in spending, a freeze in entitlement programs, a reduction of the "increase" in defense spending, plus an increase in revenues through elimination of wasteful and inefficient tax benefits.

Congress, he pleaded, needs to rise above election-year politics and attain its finest hour by quickly passing a bipartisan compromise that will be unpopular and difficult for us all, but which, he felt, would ensure a much faster economic recovery.

Louisiana's Senator Russell Long, over many years one of the most powerful senators in Washington, recognized the difficulties of the decisions to be made by the Administration and by Congress. He gave little credence to a movement to force a balanced budget on Congress. Despite the President's admonition not to "balance the

New Louisiana Officers

The following new officers were elected by Louisiana bankers at their 82nd convention last month:

President — John J. Doles Jr., president, First State, Plain Dealing.

President-elect — Joseph M. Connolly, chairman, Century Bank, New Orleans.

Treasurer — E. J. Dronet, president, Cameron State, Cameron.

ABA councilman — Donald L. Delcambre, chairman, State National, New Iberia.

PANEL SPEAKERS with Moderator Mike Wallace, CBS' "60 Minutes" (3rd from l.). Others: Robert McCormick Jr., Independent Bankers; W. H. Kennedy Jr., American Bankers Association; Elvis Mason, InterFirst Corp., Dallas; Dee W. Hock, pres., Visa; Dan Wall, staff dir., U. S. Senate Banking Committee, and Charles W. McCoy, LBA President, 1981-82.

budget on the backs of the people," Senator Long knew of no other recourse.

It may be necessary, he said, to reduce tax cuts from 10% to 5%. Obviously, he said, we have to cut spending, where possible.

But the real job will be in Congress, he said. And in the future, Congress as well as the Administration will have to begin examining each new spending program and then ask: "Will Congress be willing to increase taxes to pay for these new programs?"

"Will there be a balanced budget by 1985?" the Senator asked. It isn't possible to "cut enough" or "tax enough" to do it before then!

Meanwhile, back to banking subjects, a group of bankers, led by Mike Wallace of TV's "60 Minutes," discussed "The Future of Banking."

Leading off was Arkansas banker William H. Kennedy Jr., president-elect of the American Bankers Association. He suggested three emerging trends, which, in his opinion, would have major influences on the banking industry over the next five years. Mr. Kennedy is chairman, National Bank of Commerce, Pine Bluff, Ark.

1. Technology, he said, would make electronic products smaller, cheaper, more powerful and more flexible. The real test, of course, will be customer demand and acceptance of these products.

2. Market deregulation will shape the products offered by banks and the prices at which they are offered. Pressures of the marketplace, therefore, will push banks toward achieving parity with unregulated financial service companies.

3. Inflation. The key to maintenance of a strong and profitable banking system, he said, is a significant and lasting decline in the underlying rate of inflation.

Another panelist, Dee W. Hock, president, Visa, International, agreed that technology will play an important role in the future shaping of banking. The result will be, he predicted, that differentiations among financial institutions no longer will be of great importance to the customer. Since many transactions will occur electronically, customers will care little whether that is done by commercial banks, thrift institutions, the government, AT&T, Merrill Lynch, Sears, American Express or any others.

Archaic law may inhibit these changes, he said; entrenched interests may resist it; legislators may dispute it; but consumers should and will have it and will pay well to those who provide it.

Electronic payment systems will "pour down" on bankers, he predicted, and nothing can be done to prevent their increasing importance. He offered several general predictions to his audience:

1. Global telecommunications systems will be created for electronic exchange of value data.

2. Banks will have to "earn" their place in the market by what they create or fail to create.

3. Such systems are beyond the capacity of any single bank or banks of any country. A coordinated effort of the worldwide banking community will be required.

4. Banks should develop these systems, but if they do not, they gradually will lose their importance in the custody, lending, issuing and exchanging of cash values.

Mr. Hock also assessed the alternatives, which, in his opinion, would be a global consolidation of banks, extensive expansion into financial services by governmental entities and massive

intrusions by nonbank financial organizations.

If commercial banks are to continue to be the dominant institutions in financial services, he said, they will have to assert themselves quickly, and to do so means they will have to be unfettered by Congress.

The traditional issues on independent banking versus holding-company banking were aired by Robert L. McCormick Jr., president Independent Bankers Association of America, and Elvis Mason, chairman/CEO, InterFirst Corp., Dallas. Mr. McCormick is president, Stillwater (Okla.) National.

Mr. McCormick, observing the growing demand for deregulation of the banking industry, was concerned with the expertise available in some of the nation's smaller banks. "Unregulated banks will be difficult to manage. Many bank owners," he said, "will give up and then the multinationals and multi-bank holding companies will be there to buy them."

The Independents' leader acknowledged that bankers would have to possess six areas of skill to survive: innovation; cost accounting/pricing; management of interest-rate risk; people management; marketing and planning/strategy.

Independents, he said, hope to have some influence over HOW fast the banking world changes in order to help prepare for the changes as they take place.

At the convention's closing session, a nonbanker, Edward G. Harness, formerly CEO of Procter & Gamble and now chairman of its executive committee, acknowledged that American industry has lost some of its productivity and thus its competitive advantage in many markets. But he offered advice on what business must do to regain its former stature.

1. Step up spending for both basic research and product development. Give our scientists and engineers enough corporate dollars to bring forth a new wave of discoveries and a resultant increase in the standard of American living.

2. Business management must quadruple its attention to cost control. We must spend money, said the Cincinnati industrialist, to save costs so that in the year 2000 we won't be a country of obsolescent hardware and plants.

3. Change our style of handling employee relations. Communications with employees must improve. People must understand that we (business) cannot continually increase payments for not working through added vacations, holidays, break time, etc. For this understanding to grow, we need better incentive-pay programs. Mr. Harness suggested that businessmen (and bankers) look toward profit-sharing programs as a means of motivating employees.

If bankers and businessmen recognize that capital is needed for cost-cutting types of equipment, then capital needs to be made available at reasonable costs, according to Mr. Harness.

Mr. Harness had one final concern: One of the greatest needs for business will be trainable young people, and he expressed great concern over the nation's educational system. "We simply must solve the problem of quality education," he said, "if business is to have the future managers and operators to keep us competitive in the world of the 1980s."

Mr. Harness issued this challenge: "Business leadership can and should spearhead a renaissance in American education at primary and secondary levels. If we can get that job done, I am not worried about the Japanese or about American productivity. It will not be easy, but we will get it done."

Ralph B. Cox, publisher. ● ●

Indiana Bankers To Deal 'Winning Hand' At Convention in French Lick June 14-17

INDIANA BANKERS will learn how to "Deal Yourself a Winning Hand" in French Lick June 14-17. The appealing slogan is the theme of this year's annual convention, which returns to the French Lick Springs Hotel after a one-year hiatus in Indianapolis.

Topics to be presented by a galaxy of speakers had not been released at press time, but speakers signed for the convention include ABA President Llewellyn Jenkins, vice chairman, Manufacturers Hanover Trust, New York; John Fisher, guru of electronic banking, and senior vice president, Bank One, Columbus, O.; Frank Cappiello, investment banker from New York City; and John W. Lee, Crawfordsville, Fla.; who will present a 90-minute program on "time management."

Bankers who wish to extend their "winning hands" beyond the convention hall can participate in tennis and golf tournaments during the meeting period.

Official convention activities will begin on Monday, June 14, at 5 p.m. Activities set for that evening include a staff meeting, a reception and dinner for Fifty-Year Club members and a dinner for IBA officers and staff people.

Tuesday's events will include an IBA board meeting and a past presidents' reception and dinner. The registration desk will be open from 3-10 p.m.

First activity set for Wednesday, June 16, is the annual Indiana BankPac breakfast, followed by the first general session. The registration desk will be open all day and activities for women will take place during the morning hours.

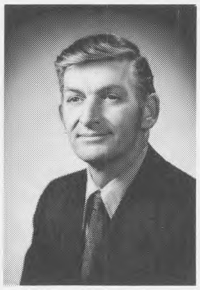
Following the business session will be the men's golf tournament, luncheon and men's tennis tournament. The women will have a special luncheon featuring a folksinger/guitarist.

Evening activities will consist of the annual banquet featuring "Hee Haw's Prime Minister of Humor," Grady Nutt.

Women's sports activities will be on tap for Thursday morning, June 17. The second general business session will begin at 9:30 a.m. and continue until the noon lunch period. Tennis and bingo are scheduled for the early afternoon.

The convention will conclude with a reception and dinner with entertainment by the Marlin Family • •

JENKINS



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Security Bank, Vincennes, has been acquired by Security Bancorp., a recently established bank HC.

Indiana National, Indianapolis, has promoted Ralph G. Nowak, Robert W. Dorris and Norman C. Kleifgen to vice presidents/trust officers, and Bruce A. Cavanaugh, Patricia J. Helmer, John J. Miller, Jeffrey A. Tillman and Brian J. Wise to assistant vice presidents.

Universal Bancorp., Bloomfield, has become a bank HC through acquisition of the successor by merger with Bloomfield State.

Caress, Bibler, Rose Lead IBA in 1981-82

Presiding over this year's Indiana Bankers Association convention will be Mark H. Caress, 1981-82 president of the association and president, First National, Crawfordsville.

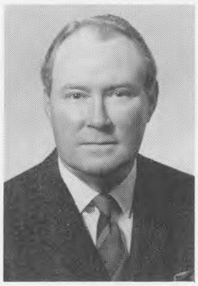
Serving with Mr. Caress are Joseph W. Bibler, IBA vice president, and chairman, Northern Indiana Bank, Valparaiso; and R. C. Rose, IBA treasurer, and president, American National, Vincennes.

Mr. Caress began his banking career in 1965 when he joined First of Crawfordsville as president. He previously was superintendent of the Crawfordsville Community Schools. He is a former chairman of the IBA's mortgage loan committee and member of the student loan committee.

Mr. Bibler joined Northern Indiana Bank in 1951. He was elected executive vice president in 1966, president/CEO in 1970 and chairman/CEO last year. He is a past president of IBA Region Two, a past director of the IBA and past chairman of its legislative committee and is a past vice president of the Independent Bankers Association of Indiana.

Mr. Rose joined his bank in 1935 and has held practically every position in the bank. He was elected to the board in 1969 and was named president/CEO in 1975. He is a past president of IBA Region Eight and a past director of the IBA. He served as chairman of the convention program committee in 1979 and is an advisory trustee of BankPac.

BIBLER



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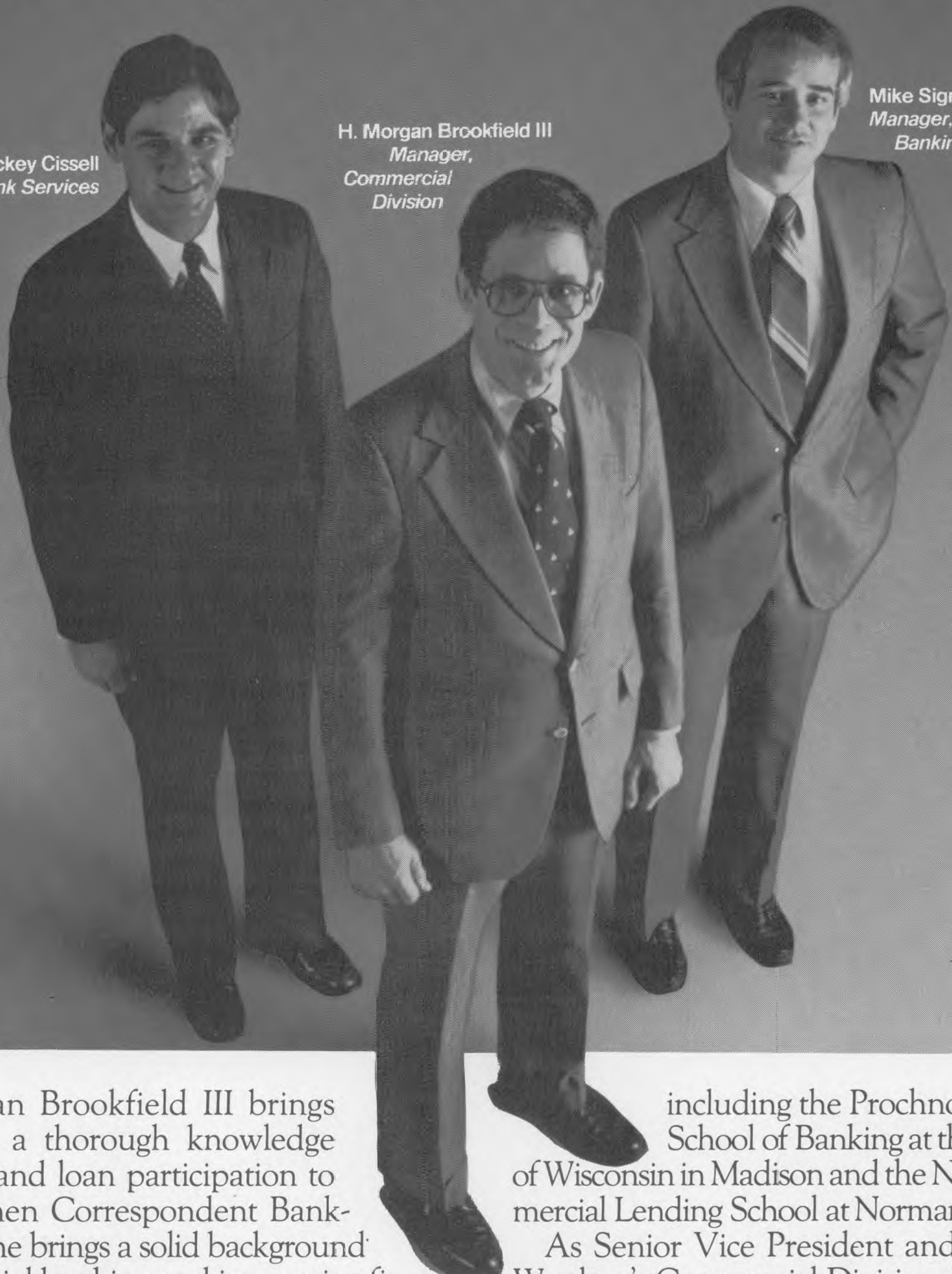

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Kreider, Kennedy Head Speaker List At 92nd Arkansas Bankers Convention

HEADING the speaker list for the 92nd annual convention of the Arkansas Bankers Association will be Lawrence E. Kreider and William H. Kennedy Jr. Dr. Kreider is executive vice president, Conference of State Bank Supervisors, Washington, D. C., and Mr. Kennedy is ABA president-elect, and chairman, National Bank of Commerce, Pine Bluff (and a former Ark.BA president). The convention will be held May 15-18 at the Arlington Hotel, Hot Springs National Park.

Dr. Kreider will appear during the second business session on May 18; Mr. Kennedy will take part in the first session, May 17.

Also on the speaker's list will be Captain Gerald L. Coffee, USN, former POW in North Vietnam; T. P. Hall, accounting professor at Georgia State University, Atlanta; and Glen E. Lemon, president, First Bank, Booker, Tex., a community banker.

Convention registration will begin at 2 p.m. on Saturday, May 15, on the mezzanine level of the hotel.

Sunday's activities will begin with a prayer breakfast in the Crystal Ballroom from 8:30 to 10:30 a.m. Exhibits will be open from noon to 5 p.m. and registration will be open from 1-6 p.m. The association reception will begin at 6 p.m. and continue until 8 p.m.

The first business session will begin at 9 a.m. on Monday, May 17. Speakers will be Capt. Coffee, whose topic will be "Faith: the Key to Survival and Triumph"; Dr. Hall, who will be "Looking Behind the Numbers"; and Mr. Kennedy. Exhibits will be open from noon to 5 p.m.

The second business session will begin at 9 a.m. on Tuesday, May 18. Included on the program will be Mr. Lemon's presentation titled "The Bank and Its Community"; Dr. Kreider's talk; and a presentation by Ark.BA President-Elect William H. Bowen titled "Where and How Does the Banker Fit?" Mr. Bowen is chairman, Commercial National, Little Rock.

A women's luncheon will be held in the Crystal Ballroom starting at 11 a.m. Featured speaker will be Jeanne Robertson, humorist. Her topic: "Keeping a Sense of Humor While Married to a Banker."

Exhibits will be open all afternoon, and the annual reception will begin at 6 p.m., followed by an informal Hawaiian party in the Conference Center at 7 p.m. and a dance at 9 p.m.

Convention Speakers

KENNEDY

KREIDER

Harold W. Johnson has been elected assistant vice president at Farmers Bank, Clarksville. He is branch operations manager and joined the bank in 1973.

Exchange Bank, El Dorado, has been acquired by Exchange Bancshares, an HC recently chartered by the Fed.

Golf, Tennis Tournaments Set for Ark. Convention

Golf and tennis will not be neglected during the 92nd annual convention of the Ark.BA in Hot Springs.

Tennis will be in fashion on both Monday and Tuesday, May 17 and 18. Women's and men's doubles and finals for both will be held on Monday, May 17. The women will begin at 9:30 a.m. and the men at 1:30 p.m. Finals will begin at 3 p.m.

Tuesday is reserved for mixed doubles. Play will begin at 1:30 p.m.

Sign-ups for the tennis tournament should be made at the registration area in the mezzanine of the Arlington Hotel. Entry fee is $7, payable at the tournament. Play will be at the Hot Springs Golf and Tennis Club.

Golf will be played on Tuesday, May 18, starting at 1 p.m., at the Arlington Course. Registration will be at the Pro Shop. Greens fee will be $15 per player and electric carts will be available at $10 each.

Scoring will be medal score under the Callaway System and score cards should be turned into the Pro Shop at the end of each round so the score can be posted.

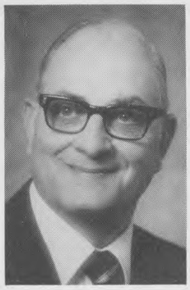
Convention Program in Brief

Saturday, May 15
2:00 p.m. — Registration, Arlington Hotel Mezzanine.

Sunday, May 16
8:30 a.m. — Prayer Breakfast, Crystal Ballroom.
Noon — Exhibits Open.
1:00 p.m. — Registration, Mezzanine.
6:00 p.m. — Ark.BA Reception

Monday, May 17
9:00 a.m. — Business Session.
Noon — Exhibits Open.

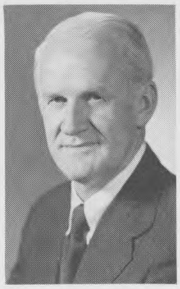
Tuesday, May 18
9:00 a.m. — Business Session.
11:00 a.m. — Women's Luncheon.
Noon — Exhibits Open.
6:00 p.m. — Reception, Crystal Ballroom.
7:00 p.m. — Informal Hawaiian Party, Conference Center.
9:00 p.m. — Dance.



FORD

BRANDON

HOWELL



BOWEN

Ford, Bowen, Brandon Are Ark.BA Officers

The affairs of the Arkansas Bankers Association are under the direction of B. J. Ford, president; William H. Bowen, first vice president; and William H. Brandon, second vice president, for the 1981-82 term. Mr. Ford is chairman/president, Merchants & Planters, Camden; Mr. Bowen is chairman, Commercial National, Little Rock; and Mr. Brandon is president, First National of Phillips County, Helena. Ark.BA treasurer is David Howell, president, First State, Springdale.

Mr. Ford entered the banking profession in 1947 at Bank of Rector, where he attained the title of assistant cashier. In 1955 he moved to Benton State and served as vice president until 1966, when he moved to Merchants & Planters, Camden, as chairman/president. He also has served as chairman at Merchants & Planters, Sparkman, since 1967. He is district chairman of state representatives and a member of the advisory council, district III, of the Conference of State Bank Supervisors.

Mr. Bowen entered banking as president, Commercial National, in 1971. He has been chairman/CEO since March, 1981. He is a former chairman, Ark.BA legislative committee, and member at large of the association's board. He is a staff member of the Stonier Graduate School of Banking (since 1976) and was named to the Rutgers board of regents in 1977. He is a lecturer for the Assemblies for Bank Directors at Southern Methodist University, Dallas, and a director of the Little Rock branch of the St. Louis Fed.

Mr. Brandon entered banking in 1964 at First National of Phillips County, Helena. He was named assistant vice president at that time. He became president in 1971.

Mr. Howell joined his bank in 1971 and was named cashier two years later. He has been president since 1977.

Prayer Breakfast Set

Bill Glass, all-American football player, will be the speaker at the Ark.BA prayer breakfast, which will begin at 8:30 a.m. in the Crystal Ballroom of the Arlington Hotel on Sunday, May 16.

Mr. Glass played for Detroit and Cleveland until he retired in 1969. During that time, he played in four Pro Bowls. He received a bachelor of theology degree from Southwestern Seminary in 1963 and has appeared on numerous national TV programs, including the "Bill Glass Prison Special," which was nominated for an Emmy award.

Pulaski Bank, Little Rock, has named Bob Magee executive vice president/director; Bob Smith has joined the bank as senior vice president; Becky Butler was named assistant vice president and Karen Gay was promoted to assistant vice president/executive assistant.

The application of NBC Bank Corp., El Dorado, to become a bank HC has been approved by the Fed. The HC has acquired the successor by merger of National Bank of Commerce, El Dorado.

Steve Cameron has been promoted from vice president to executive vice president at First National, El Dorado. He also was elected to the board. He joined the bank in 1977.

First State, Warren, has been acquired by Bradley Bancshares, a newly chartered HC.

Profitability Goals

(Continued from page 48)

kept in correspondent banks. By following Peat Marwick's recommendations, the bank would save $32,000.

In another profit improvement, Peat Marwick suggested the bank extend its afternoon deadline for check collection to help improve processing and investment potential. The bank's revenue increase would come to $15,000.

Other cash-management savings were recommended through more effective local and Federal Reserve clearing. Improved clearing procedures would save the bank as much as $26,000.

"We (Peat Marwick) come in as an outside, objective third party. We bring a fresh perspective to looking at how a bank operates."

Peat Marwick also made staffing recommendations as part of the program. First, duties, functions and volumes of work were ascertained by interviewing staff and examining information from past journals and tape totals. Then, reasonable-performance levels (RPLs) were developed by determining the standard amount of time expected to complete each activity. This standard was based on timing the bank's own employees at work. A 15% allowance was added to account for personal fatigue and delays.

Using the duty and volume information and RPLs, Peat Marwick was able to construct detailed activity schedules. Finally, graphs, schedules and analyses were drawn up to determine appropriate staffing levels for various work areas.

For example, staffing recommendations for lobby and drive-up personnel included a schedule reduction equal to 114 hours per week, or three full-time equivalents (FTEs). This creates a potential savings of $31,000 in annual salaries and fringe benefits.

Although Peat Marwick found the bank's staff could be reduced by eight, no one was fired as a result of this study.

Gary Dilley, cashier/chief operating officer at Farmers & Merchants Bank, says that over 60% of Peat Marwick's recommendations have been implemented at present and that the other 40% will be acted on when staff reductions are achieved through normal attrition.

"We've already benefited to the tune of over $150,000 in bottom-line income," Mr. Dilley says.

The scope of the program included such broad-ranging areas as communications, organizational structure, personnel evaluation and training, management succession and employee benefits. Advice on electronic data processing was supplied, and even marketing and advertising were addressed.

Mr. Dilley sums up the experience. "Peat Marwick helped us work along with it to break down each operation

"We've already benefited to the tune of over $150,000 in bottom-line income."

into miniscule segments. Now we're more aware of how we do things and why. We question ourselves more. When people are used to doing things the way they were taught, they need to take the time to look at how they're doing something and why and whether they can do it a better way. That was the big benefit of having Peat Marwick come in and help us." ● ●

* * *

EDITOR'S NOTE: Peat, Marwick, Mitchell & Co. is one of the largest and oldest public accounting firms in St. Louis, with a staff of over 200 professionals including more than 20 partners and principles. More than 1,000 client businesses and institutions have made the St. Louis office one of the largest Peat Marwick offices in the U. S. Backing up the St. Louis staff is an international firm with offices in over 330 cities and more than 85 countries.

Restructured Convention Schedule On Tap for Mississippi Bankers

MISSISSIPPI BANKERS will be reorienting themselves to a new convention schedule this year when they meet in Biloxi May 20-23. For as long as most bankers can remember, the annual convention has started on a weekend and ended in mid-week. Starting this year, the tables will be turned — activities will begin on Thursday and end on Saturday night.

It's all part of a plan to schedule the convention's major events on nights when the most bankers can attend — Friday and Saturday.

As has been the case for the past several years, the annual meeting will be staged at the Hilton and Broadwater Beach hotels, facing the sunny beaches of the Gulf Coast. Another fact that has been true for the past few years: Official business will be at a minimum!

The convention's first day is reserved for tennis, golf and parties. The MBA tennis tournament will begin at 8:30 a.m. on Thursday, May 20, at courts at both hotels. Bobby Harper, president, National Bank of Commerce of Mississippi's Columbus branch, is tennis chairman. Mixed, men's and women's doubles will be held on Thursday and finals will be held the following day. Prizes will be awarded at the annual banquet on Saturday.

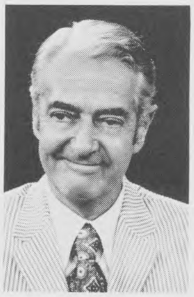
The MBA golf tournament is set to begin at noon at the Broadwater Sun Course. Chairman is Robert Woodall, comptroller, Hancock Bank, Gulfport.

Convention registration will be open throughout the day in the Hilton Hotel lobby. Parties will be at 11 a.m., 1 p.m. and 4 p.m., sponsored by Union Planters National, Memphis; Mississippi Bank, Jackson; and Hancock Bank, Gulfport. The latter event, the traditional oyster bar, will be held on the top floor of the new Hancock Bank Building in Hancock Plaza, Gulfport.

Friday's events will begin early with the traditional MBA breakfast for graduates of the School of Banking of the South at the Broadwater Beach Hotel. Earl W. Lundy, chairman/president, First National, Vicksburg, and executive director for Mississippi for the school, will preside.

Registration will open at 9 a.m. in the Hilton lobby and tennis tournament finals will begin at noon. The rest of the day will be given over to partying and the annual MBA president's dinner for the executive committee and all past presidents. Parties at 3:30, 6 and 10 p.m. will be sponsored by Financial Security Life Insurance Co., Deposit Guaranty National, Jackson, and National Bank of Commerce, Memphis.

The convention will get down to business on Saturday, May 22. The general business session will begin at 8:30 a.m. in the Broadwater Beach Hotel Crown Room. MBA President Douglas A. Herring, chairman, Security State, Starkville, will preside.



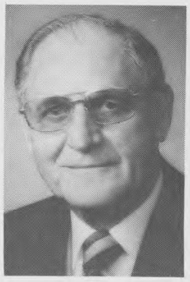
SMITH

Highlighting the session will be committee reports, presentation of 40- and 45-Year Club certificates, a meeting of the Mississippi members of the ABA, resolutions, election of officers and an address by Howard K. Smith, former ABC News commentator.

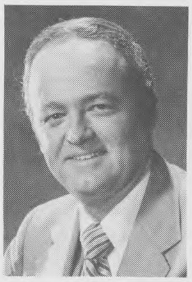
The afternoon will be given over to parties sponsored by First National, Jackson, at 11 a.m.; Hancock Bank, Gulfport, at 4 p.m.; and Whitney National, New Orleans, also at 4 p.m.

The Mississippi Coast Convention Center will be the site of the annual banquet. The social hour will begin at 6:30 p.m., followed an hour later by "Herring's Heritage Holiday." Features at the banquet will be announcement of golf- and tennis-tournament winners; introduction and installation of officers; a presentation to Orrin Swayze, director emeritus, Graduate School of Banking of the South; and entertainment by Guy and Ralna. ● ●

HERRING



ROBBINS



KENNINGTON

Herring, Robbins, Kennington Head MBA for '81-'82 Term

Heading the administration of the Mississippi Bankers Association for the 1981-1982 term have been Douglas A. Herring, president; Cecil F. Robbins, vice president; and Robert E. Kennington II, treasurer.

Mr. Herring, who is chairman/CEO, Security State, Starkville, began his banking career with First National, Jackson, in 1956. In 1960 he joined the department of bank supervision as a senior examiner. In 1963, he joined Security State as executive vice president/director, was named president in 1974 and chairman/CEO in 1978. He is a past vice president of MBA Group Four and is a graduate of the Stonier Graduate School of Banking at Rutgers University.

Mr. Robbins is president, Bank of Edwards. He joined the bank in 1943 as cashier, was named vice president in 1950 and executive vice president in 1955. He was elected president in 1958. He served the MBA as vice chairman of the CEO summer seminar committee in 1979-80. He also is a former mayor of Edwards.

Mr. Kennington is chairman, Grenada Bank. He began his banking

Mississippi Convention Calendar

Thursday, May 20

8:30 a.m.—Tennis Tournament: Mixed, Men's, Women's Doubles, Broadwater Beach and Hilton Hotel Courts.
9:00 a.m.—Convention Registration, Hilton Hotel Lobby.
11:00 a.m.—Country Ham Luncheon, Hilton Hotel Grand Ballroom.
Noon—Golf Tournament, Broadwater Sun Course.
1:00 p.m.—Welcoming Party, Promenade and Le Chic Lounge, Hilton Hotel.
4:00 p.m.—Oyster Bar/Welcoming Party, Hancock Bank Building, Gulfport.

Friday, May 21

7:30 a.m.—Milk Punch Party for Graduates, School of Banking of South, Imperial West Room, Broadwater Beach Hotel.
8:00 a.m.—Breakfast for Graduates, School of Banking of South, Vogue Room, Broadwater Beach Hotel.
9:00 a.m.—Registration, Hilton Hotel Lobby.
Noon—Tennis Tournament Finals, Broadwater Beach Hotel Tennis Courts.
3:30 p.m.—Champagne/Strawberries Party, Condo Pool Area, Hilton Hotel.
6:00 p.m.—Garden Party, Broadwater Beach Hotel.
8:00 p.m.—Presidents' Dinner, Vogue Room, Broadwater Beach Hotel.
10:00 p.m.—Nightcap Reception, Grand Ballroom, Hilton Hotel.

Saturday, May 22

8:00 a.m.—Registration, Hilton Lobby.
8:30 a.m.—General Business Session, Crown Room, Broadwater Beach Hotel.
9:00 a.m.—Women's Breakfast, Crown Room, Broadwater Beach Hotel.
11:30 a.m.—Plantation Party, Grand Ballroom, Hilton Hotel.
4:00 p.m.—Oyster Bar, Crown Room, Broadwater Beach Hotel.
—Open House, Tropicana Room, Hilton Hotel.
6:30 p.m.—Social Hour, Arcade/Foyer, Mississippi Coast Convention Center.
7:30 p.m.—Banquet, "Herring's Heritage Holiday," Mississippi Coast Convention Center.

Sunday, May 23

8:30 a.m.—Executive Committee Breakfast, Crown Room A, Broadwater Beach Hotel.

career as a summer employee at Deposit Guaranty National, Jackson, in 1951. He moved to Grenada Bank in 1963 and was named an officer in 1964. He has held his chairmanship since 1970.

Resolutions Committee Named For Convention Report

Seven Mississippi bankers will serve on this year's convention resolutions committee, which will be chaired by H. Devotie Holmes Jr., president, Planters Bank, Tunica.

They include Aubrey L. Boone, president, Bank of Winona; Charles O. Buckner, Vicksburg; E. Ward Faulk Jr., vice chairman, Gulf National, Gulfport; Kenneth A. Madison, president, Bank of Philadelphia; James C. Rhoden, president, Foxworth Bank, Columbia; J. W. Smith Jr., president, Tombigbee Bank, Fulton; and B. S. Ward, executive vice president, Panola County Bank, Sardis.

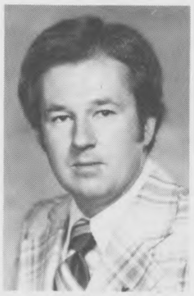
3 Complete Exec. Com. Terms

Three members of the executive committee of the Mississippi Bankers Association will complete their terms at the convention in May.

They are O. B. Bowen Jr., president, Richton Bank; D. P. McGowan, president, Bank of Yazoo City; and Wilmer H. Whittle, president, Newton County Bank, Newton.

The Fed has approved an application of Bancorp of Mississippi, Inc., Tupelo, to become a bank HC through acquisition of the successor by merger with Bank of Mississippi, Tupelo.

Deposit Guaranty National, Jackson, has promoted Burton B. Hosch Jr. to president-Vicksburg and James W. Crawford and Donald Max Huey to senior vice presidents. Mr. Hosch formerly was vice president/trust officer in Greenville. He joined the bank in 1975. Messrs. Crawford and Huey joined the bank in 1971 and 1970, respectively. Mr. Crawford is in the commercial loan department in Natchez; Mr. Huey is in charge of personnel administration/operations in Hattiesburg.



HOSCH

Banking Scene

(Continued from page 8)

By the same token, there is a tendency, for example, for mortgages that may be refinanced to have a penalty, though FHA and GI mortgages generally are exempt. Fairly recent developments, such as the due-on-sale clause, appear to raise some issues in some states. Due-on-sale clauses are being challenged in the courts by consumer groups and are supported for federal preemption.

When all is said and done, classical economic theory holds that a positive-sloping yield curve is a more natural phenomenon than one that is flat, kinked or negative. This is predicated on the assumption that as one goes further into the future, greater uncertainties are anticipated. These uncertainties include economic climate and political factors that may come to bear. These factors are important in formulating present policies of bankers.

A fascinating question is how some of the nation's giant banks, with their sophisticated economic models and highly trained economic staffs, missed the boat in their interest-rate-direction projections. At least three of the 10 largest banks in the U. S. made major investment mistakes in trying to "lock in" long-term investments when they quite incorrectly perceived that interest rates would be moving down.

Commercial bankers have been relatively fortunate under both the rapid fluctuations in interest rates and in their experience with the negative sloping curve. The same can't be said for S&Ls and mutual savings banks. With rare exceptions, most of these institutions are technically insolvent, since they are carrying their investments at book, not at market, price. The recent decision by the Federal Home Loan Bank Board to permit S&Ls to operate with only 3% of book capital further compounds the problem of the level playing field for commercial banks, which now typically have not only twice as much capital but capital that is more "real" than is the S&Ls' purely "book" capital.

The bond department of the typical bank historically has not been in a comfortable position. This is because banks traditionally have sold out of their bond portfolios to meet heavy loan requirements of customers. Typically, loan demand has gone up when interest rates also have gone up. When interest rates go up, prices of investments in bond portfolios go down.

More than one of the top officers of a major midwestern bank said recently that even with the bank's tremendous resources, it had been unsuccessful in predicting the magnitude and direction of interest-rate changes. Under such circumstances, bank investment in very short-term securities has been attractive during the years of the inverted-yield curve. However, as one reviews the direction interest rates have taken, it can be seen that strong psychological pressure will be brought to bear on bankers to lock in longer-term yields. If the yield curve stays on a positive slope, bankers will be grateful, since banks typically borrow "short" and lend "long." Should the slope revert again to the negative, institutions once more will be faced with substantial real discounts in their long-term investments.

One of the most highly recognized bankers of the past, Marcus Nadler, once was asked what interest rates were going to do. He gave the correct answer: "They will fluctuate up and down." ● ●

CBA Publishes Second Edition Of TIL Compliance Manual

The second edition of the Consumer Bankers Association's (CBA) "Truth-in-Lending Compliance Manual" has been published. The manual incorporates an analysis of the Fed's official staff commentary.

The 400-page manual "provides creditors with a definitive, easy-to-use resource for effective compliance with the revised TIL Act and the new Regulation Z," according to the CBA. The manual includes a semiannual updating service to keep it current with subsequent interpretations and amendments.

The manual examines the purpose and coverage of Regulation Z and defines major terms used in the regulation. Major sections provide discussions on open-end and closed-end credit, miscellaneous provisions and general requirements, including major changes from prior law and steps for complying with the new regulation.

The $70 purchase price includes the spring supplement of the semiannual updating service.

For more information, contact CBA, 1300 North 17th Street, Suite 1200, Arlington, VA 22209.

SERVING MID-MISSOURI. THAT'S THE CENTRAL IDEA.

We look forward to seeing you at the MBA Convention in St. Louis.

CENTRAL BANK

JEFFERSON CITY, MISSOURI MEMBER FDIC

National, State Aspects of Banking On Tap for Missouri Convention

A BUSY three days of activities will be on tap for Missouri Bankers May 13-15 as they convene for the annual convention of the Missouri Bankers Association at Stouffer's Riverfront Towers, St. Louis.

Special-interest sessions will again be featured on the program. This year they will be concurrent with the golf tournament. The usual three general sessions will feature national as well as state perspectives of the banking scene.

The 92nd annual convention will begin officially at 2 p.m. on Thursday, May 13, with the opening of registration and exhibits. A lounge will be open in the area until 6 p.m.

Activities will begin early on Friday morning, May 14. The golf tournament is set to begin at 7 a.m. at Normandy Country Club; the registration desk and exhibit area will open at 8 a.m. and the three concurrent special-interest sessions will begin at 9:30 a.m. Topics will be "Strategic Planning for Community Bankers," "Asset/Liability Management" and "Micro Computers in Banking."

The first general session will begin at 1:30 p.m. with a call to order by Convention Committee Chairman John W. McClure, senior vice president, Mercantile Trust, St. Louis. A welcome will be extended by St. Louis Mayor Vincent C. Schoemehl Jr.

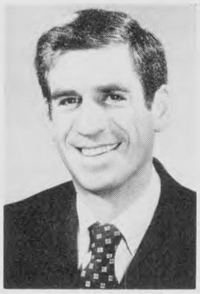
The national aspect will be given by two speakers, Lawrence K. Roos, president, St. Louis Fed, who will give the keynote address, and Gerald M. Lowrie, the ABA's executive director of government relations, who will provide a federal legislative update.

The scene then will shift to a state focus as officers of the MBA present their annual "State of the Association" panel. Participants will include Waldo F. Mottaz, MBA president, and president State Bank, Hallsville; Ethan A. H. Shepley Jr., MBA vice president, and vice chairman, Boatmen's National, St. Louis; George R. Curry, MBA treasurer, and chairman/CEO, Central Bank, Lebanon; and Robert W. Crawford, MBA executive vice president.

The final event on the agenda will be the report of the nominating committee and election of officers.

The evening activity will be a mixer


McCLURE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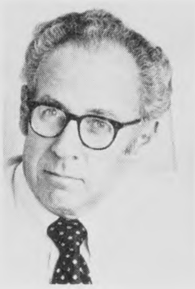
LOWRIE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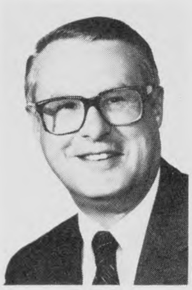
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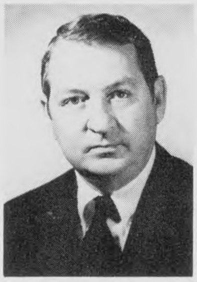

JOHANNESMAN

Convention Program in Brief

Thursday, May 13

2:00 p.m.—Registration/Exhibits/Lounge Open.

Friday, May 14

7:00 a.m.—Golf Tournament, Normandy Country Club.
8:00 a.m.—Registration/Exhibits Open.
9:30 a.m.—Concurrent Special-Interest Sessions.
1:30 p.m.—First General Session.
9:00 p.m.—MBA Mixer/Dance, Ballroom.

Saturday, May 15

9:00 a.m.—Second General Session.
Noon —Convention Luncheon.
2:00 p.m.—Third General Session.
6:00 p.m.—President's Cocktail Party.
7:00 p.m.—President's Banquet With Entertainment.

and dance with the Jack Engler Orchestra, beginning at 9 p.m.

The second general session on Saturday, May 15, will feature an address on "The Myths of Marketing" by Thomas J. Bash, special assistant for economic development to Governor Christopher Bond; and a meeting of the Missouri members of the ABA, conducted by S. K. Turner, ABA state vice president for Missouri, and president, First National, Kirksville. Delegates will elect a member of the ABA's governing council to succeed Darrell Meyer, president, Thornton Bank, Nevada.

MBA President Mottaz will preside at all events on Saturday, including the noon luncheon at which John C. Danforth, U. S. Republican senator from Missouri, will be featured speaker.

During the third general session, bankers will hear a report on events in the nation's capital given by Paul Duke, PBS senior correspondent and host of "Washington Week in Review." The session also will feature the installation of new MBA officers for the 1982-83 term, a U. S. savings bond presentation by Quinton Keller, president, Lemay Bank, St. Louis, and will end with the traditional investment panel, moderated by Frank W. Spinner, chairman/president, Tower Grove Bank, St. Louis. Panelists will include William F. Enright Jr., chairman, executive committee, American National, St. Joseph; Walter E. Knowles III, executive vice president, Commerce Bank, Kansas City; and Richard L. Johannesman, senior vice president, Mercantile Trust, St. Louis.

Final convention activity will be the president's cocktail party and banquet, with entertainment by Clay and Sally Hart, who will present "All You Really Need Is Love." ● ●

Special-Interest Sessions Set for MBA Convention

Three concurrent special-interest sessions will be given at this year's MBA convention in St. Louis. The time will be 9:30 a.m. on Friday, May 14.

"Strategic Planning for the Community Banker" will be presented by N. Kent Davis, president, Peoples Bank of Mississippi, Union.

"Asset/Liability Management" will be given by Albert W. Lauth and John W. Rowe, vice president and senior vice president, respectively, Centerre Bank, St. Louis.

"Advantage of Micro Computers in Banking" will be the topic of Robert H. Long, a consultant for Long, Inc., Schaumburg, Ill.


LAUTH


DAVIS

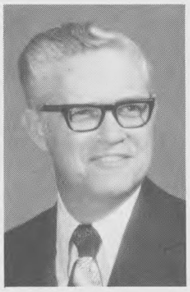

LONG


ROWE

R. William Smith has been elected chairman/president/CEO at Big Bend Bank, Webster Groves. He formerly held the same posts at Continental Bank, Richmond Heights.


MOTTAZ


SHEPLEY


CURRY


CRAWFORD

MBA President Waldo Mottaz To Preside at Convention

Waldo Mottaz, president, State Bank, Hallsville, will preside at this year's MBA convention as MBA president. He will conduct the second and third general sessions and host the noon luncheon on the closing day of the convention.

Mr. Mottaz entered banking in 1940 at Bank of Wellsville, which he still serves as chairman. He became affiliated with State Bank, Hallsville, in 1966 as president.

Serving as MBA vice president under Mr. Mottaz is Ethan A. H. Shepley Jr., vice chairman, Boatmen's National, St. Louis. Mr. Shepley entered banking in 1953 at Boatmen's. His first officer title was assistant vice president. He has been vice chairman since 1977.

MBA treasurer is George Curry, chairman, Central Bank, Lebanon. Mr. Curry began his banking career in 1949 at his present bank, although it was called State Savings Bank at that time. He was promoted to assistant cashier in 1950 and has been chairman/CEO since 1965.

Robert W. Crawford has been MBA executive vice president since 1977. He is a former president, Association of General Merchandise Chains, and prior to that was a Missouri state representative. He also is a former Missouri secretary of state.

Valerie J. McKay has been promoted to assistant cashier at First National, Kansas City. She joined the bank in 1978.

William Quigg Is Nominee For Treasurer of MBA

William W. Quigg, president, Central Trust, Jefferson City, has received the nomination for MBA treasurer for the 1982-83 term.

QUIGG

Mr. Quigg was general counsel and lobbyist for the MBA in the late 1960s and has served on the MBA government relations and taxation committees. He has been a member of the taxation committee and governing council of the ABA and served as ABA vice president for Missouri in 1980. He currently is vice chairman of the advisory council of the Conference of State Bank Supervisors.

Four Missouri Bankers Qualify for 50-Year Club

Four Missouri bankers will be inducted into the MBA 50-Year Club during this year's convention, according to R. Quinn Fox, vice president, Centerre Bank, St. Louis, who serves as unofficial secretary of the club.

The bankers are: Elmer J. Steffens, director, Franklin County Mercantile Bank, Washington; Walter Frintz, assistant cashier, First National, St. Charles; and H. W. Mason, chairman, and J. E. Norlin, executive vice president/cashier, both at Union Savings, Sedalia.

Centerre Bank, St. Louis, has elected four new assistant vice presidents: Bruce B. Dunning, metropolitan division; John C. Kennedy, national division; Steven Ray Powell, leasing, and Michael T. Puzniak, data processing.

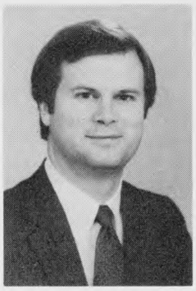
First Midwest Bancorp., Inc., St. Joseph, has asked the Fed for approval to acquire Bank of Tuscumbia. The HC also has announced plans to establish a new national bank at Lake Ozark, a community near the Lake of the Ozarks, pending regulatory approval. If allowed to acquire the Tuscumbia bank, First Midwest Bancorp. will operate it as a full-service facility of the Lake Ozark Bank.

Young Bankers Conference Scheduled for June 23-25

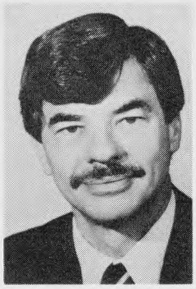
The 18th annual Young Bankers Conference sponsored by the Missouri Bankers Association will be held June 23-25 at Lodge of the Four Seasons, Lake Ozark.

George W. Porter, chairman of the committee, and vice president, Commerce Bank, Kansas City, will preside. Robert Whitacre, vice president, Bethany Trust, is expected to be elected to succeed Mr. Porter during the conference.

Among the speakers set for the meeting are Marlin D. Jackson, chairman/president, Security Bank, Paragould, Ark., who will deliver the keynote address; David L. Schmidt, president, Management Development Associates, Shawnee Mission, Kan., who will speak on "The Newly Appointed Supervisor"; William F. Staats, Louisiana State University, Baton Rouge, whose topic will be "The Future of Banking"; Robert C. Matthews Jr., vice president, Commerce Bank, Kansas City, who will address commercial lending; and Eugene A. Leonard, senior vice president, Mercantile Trust, St. Louis, who will give an economic outlook. Ethan A. H. Shepley Jr., vice chairman, Boatmen's National, St. Louis, will welcome delegates as new MBA president.



PORTER



LEONARD

Concurrent size-group rap sessions will be conducted by David Bowser, vice president, Citizens State, Calhoun; Jerry Goodin, senior vice president, American Bank, Princeton; John R. Gibson, senior vice president, Farmers State, St. Joseph; D. Barton Thomason, vice president, Country Club Bank, Kansas City; Stephen R. Green, vice president, Manufacturers Bank, St. Louis; and Donald Thompson, assistant vice president, Commerce Bank, Springfield.

Mercantile Trust, St. Louis, has promoted Michael J. Binns to assistant vice president and Mark Weaver to assistant trust officer. Mr. Binns joined the bank last January and Mr. Weaver has been with the bank since 1978.

Political Decisions Kill Mo. Usury-Reform Bill; New Attempt Started

Political decisions, rather than votes, stopped the Usury Reform Bill from being acted on in the Missouri General Assembly, says Robert W. Crawford, executive vice president, Missouri Bankers Association. The bill had cleared the state senate.

"From our industry's point of view, we were denied the opportunity to present the need for usury reform to the state representatives," Mr. Crawford says.

The following reasons are given as the cause of the death of the bill:

- This was the first time usury repeal has been brought before the General Assembly. Resistance to change was significant enough to defeat the attempt.
- There was a preconceived notion on the part of house leaders that the bill would not pass, and there was no consensus on an alternate measure.
- State representatives were feeling election-year jitters.
- High interest rates have made legislators sensitive to any proposal dealing with rate ceilings.
- A knee-jerk reaction by the press that painted worst-case scenarios if ceilings were removed.

Mr. Crawford said the bill passed the senate because bankers were able to document the fact that usury ceilings are a real problem. "Not only do they restrict credit to those who need it the most, but they also impose an unnecessary burden on lenders," he said.

"We believe our efforts in promoting S.B. 724 and the creation of the interim study committee provide real opportunity. We have already begun gathering documentary evidence in support of usury reform. We intend to work closely with the interim study committee to help provide it with the best information available," Mr. Crawford said.

St. Louis Banks Join HC

American National and City Bank, both in St. Louis, will be acquired by First National Charter Corp., Kansas City-based HC, after approval by stockholders and regulators.

American National has assets in excess of $84 million; City Bank has more than $75 million in assets. First National Charter has assets in excess of $2.2 billion and has four banks in the St. Louis area.

COUNTY TOWER CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1981

ASSETS

	(in thousands)
Cash and due from banks	$ 56,711
Interest-bearing bank deposits	23,900
Investment securities	
U.S. Government	165,300
States and political subdivisions	120,533
Other securities	3,940
Total investment securities	289,773
Trading accounts securities	1,953
Federal funds sold and securities purchased under agreements to resell	71,748
Loans	524,872
Unearned discount	(5,876)
Loans, net of unearned discount	518,996
Reserve for possible loan losses	(6,450)
Loans, net	512,546
Direct lease financing, net of unearned interest	5,261
Bank premises and equipment	24,006
Other assets	26,895
Total Assets	$1,012,793

LIABILITIES AND STOCKHOLDERS' EQUITY

	(in thousands)
Deposits	
Demand	$ 218,024
Now	61,682
Savings	106,923
Other time	445,039
Total deposits	831,668
Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings	94,394
Other liabilities	13,935
Long-term debt	14,674
Total Liabilities	954,671
Commitments and contingent liabilities	
Stockholders' equity	
Common stock—par value $5 Authorized 3,000,000 shares, issued 1,601,630 in 1981	8,008
Capital surplus	33,073
Retained earnings	17,041
Total Stockholders' Equity	58,122
Total Liabilities and Stockholders' Equity	$1,012,793

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MERLE M. SANGUINET
Chairman of the Board
President and
Chief Executive Officer

ANDREW N. BAUR
Vice Chairman

FRANK K. SPINNER
Vice Chairman

RODNEY F. HILL
Executive Vice President

THOMAS CUMMINGS
Vice President and
General Counsel

H. ESSERMAN, JR.
Vice President

GERALD LEWINSKI
Vice President and
Director of Human Resources

MARTHA R. SHEERIN
Vice President and
Secretary

ROBERT VON TALGE
Vice President and
Treasurer

WILLIAM A. WENTHE
Vice President and
Director of Marketing

ROBERT C. WOLFORD
Vice President

PAUL M. STRIEKER
Controller

DANIEL F. DAHLKE
Auditor

CHARLES F. STEWART
Assistant Auditor

DAVID A. WEBB
Assistant Auditor

DONALD A. WIBBENMEYER
Assistant Vice President

NELLIE R. COX
Assistant Secretary

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Accounting Officer

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Training Director

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& Engineering Corp.

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President & CEO
St. Louis County Bank

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WILLIAM N. HARSHA
Retired
Executive Vice President
Pet, Inc.

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Chairman & CEO
Hennessey-Forrestal
Machinery Co.

BEN HESSELBERG
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Consultant & Director
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County Tower Corp.

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Imperial Refineries Corp.

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Wallace Pencil Co.

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County Tower Corp.

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COUNTY BANK OF ST. LOUIS   TOWER GROVE BANK & TRUST CO.   COUNTY BANK OF ARNOLD   COUNTY BANK OF CHESTERFIELD   COUNTY BANK OF HOUSE SPRINGS
COUNTY BANK OF LOUISIANA   COUNTY BANK OF MANCHESTER   COUNTY BANK OF RICHMOND HEIGHTS   COUNTY BANK OF WEBSTER GROVES

Fire Destroys Headquarters Of First Nat'l Charter HC

KANSAS CITY — A fire thought to have started in a cleaning cart caused an estimated $1 million in damages to the corporate headquarters of First National Charter Corp. March 25.

The fire completely destroyed the interior of the fifth floor of TenMain Center. Portions of the fourth floor, which houses offices of First National, Kansas City, the HC's lead bank, received water damage.

Executive offices of the HC have been relocated to the second and ninth floors of TenMain Center until the fifth floor is refurbished, which will take about 90 days.

Bank trust-division offices that were located on the fifth floor of TenMain Center were relocated to the First National building, which is adjacent to TenMain Center.

No injuries were reported from the fire, which occurred during evening hours.

All of the HC's vital records were saved, but the annual meeting of stockholders has been rescheduled from April 29 to June 24.

MAPEX Reelects Officers

Mid-America Payment Exchange (MAPEX) has relected its officers: Jerome S. Goldstein, senior vice president, Mercantile Bancorp., St. Louis — MAPEX president; Marvin W. Smith, senior vice president, Boatmen's National, St. Louis — MAPEX vice president; Lawrence D. Abeln, executive vice president, St. Louis County Bank, Clayton — secretary/treasurer; and C. Thomas Jeffrey, executive director. Steve C. Marsho, vice president/cashier, First National, Belleville, Ill., was added to the board. Financial-institution membership in MAPEX increased from 247 to 288 banks, S&Ls and credit unions over the past year.

James N. Hall has been elected president/chief operating officer at Continental Bank, Richmond Heights. He formerly was a vice president at Tower Grove Bank, St. Louis.

Richard W. Duncan has joined First Stock Yards Bank, St. Joseph, as agricultural representative. He formerly was with the St. Joseph Production Credit Association.

Thomas Cochran, vice president/corporate trust officer, Traders Bank, Kansas City, has been elected president of the newly organized Kansas City Corporate Trust Association. Membership includes banks, law firms and broker/dealers working in the bond market. Mike Patton, vice president, Mark Twain Plaza Bank, and Jim Shineman, vice president, First National, both in Kansas City, were elected vice president and secretary/treasurer, respectively.

Centerre Bank, St. Louis, has elected Edward H. Nesbitt a vice president in the investment banking department. New assistant vice presidents include R. Bruce McGee, James E. Cummins, Charles A. Hinrichs and Dennis J. Sullivan. Thomas F. Maher was elected human resources officer.

John E. Davis has been promoted to senior vice president/manager, bankcard division, at United Missouri Bank, Kansas City. He joined the bank in 1977.


VIETH


DAVIS

Robert D. Vieth has been named president of United Missouri Bank, St. Louis. He formerly was president, United Missouri Bank, Ferguson, and has been with the United Missouri organization since 1976.

New Facility Bill Signed Into Law by Governor

JEFFERSON CITY — Governor Christopher Bond signed HB 1079 — facility legislation — last month. The bill, passed earlier by the General Assembly, provides the following (according to the Missouri Bankers Association):

1. Allows banks to offer all services in their facilities they now offer at the main banks (mainly, the bill adds the ability to offer trust services).

2. Banks in St. Louis County *only* may place their allotted two facilities anywhere in that county. In other words, they may go outside their city limits, but must stay within St. Louis County.

3. Authorizes banks in cities of 28,000 population or more (except banks located in St. Louis County) to have three facilities.

4. Allows a bank to cross county lines to locate a facility if the county where it places the facility has at least 1,000 miles of shoreline. The facility still must stay within the city limits where the main bank is located, and it cannot be more than five miles from the main bank.

5. Authorizes two rural facilities (Section 362.108) for banks located in counties with populations of more than 7,000 and less than 10,000.

6. Any bank or trust company may invest up to 5% of its capital and surplus in shares of stock in any new banks, existing banks or bank HCs if ownership of a majority of such stock in such banks or bank HCs is restricted to banks authorized to do business in Missouri.

City Bank Opens Facility

City Bank, St. Louis, recently moved its Delmar facility to new quarters in the Central West Plaza Building, across the street from its former location. Pictured at ribbon cutting are (from l.) Solomon Williams, Union Sarah Economic Development Corp., building developer; Dan Dodge, bank v.p.; Ruthie Hardge, Union Sarah; Ed Hughes, bank a.v.p.; Gayle Lichtenstein, bank ch.; Roy Wagman, bank e.v.p.; Alderman Samuel Kennedy; Architect Robert Green; and Charles Mischeaux, bank v.p.

You choose a correspondent bank because you need and expect the normal correspondent bank services: fast check clearing, computer services, overline loan participation, securities safekeeping, investment help and expertise in special banking areas like agricultural financing.

But more than that you look directly to your banker for help. He's your personal key to opening the services that correspondent banking has for you to profit from. He has to know your territory like you do, be aware of your special needs and he's got to be available when you need him – with the answer.

Jim Montgomery has over 20 years experience as a correspondent banker in southern Illinois. Bob Helfer has been a correspondent banker in Illinois and Missouri since 1961. Jerry Brooks adds another 10 years experience to our correspondent banking team. They know the land. They know the people. They know how to make correspondent banking with us work for you. Ask around. A lot of southern Illinois bankers already know Jim, Bob, and Jerry. Shouldn't you?

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'New Horizons in Banking' to Be Theme Of Illinois BA Convention in St. Louis

91st Annual Meeting to Feature Noted Speakers

"NEW HORIZONS in Banking" will be explored at this year's Illinois Bankers Association convention, set for June 6-8 at Stouffers Riverfront Towers, St. Louis.

A parade of well-known speakers has been lined up for the meeting, including Arthur B. Laffer, member of the Economics Policy Advisory Board to President Ronald Reagan, and originator of the Laffer Curve theory which preaches that lower tax rates result in the collection of less money per dollar of tax base, but also provide for a broadened tax base; Edwin Newman, NBC News correspondent and best-selling author; William H. Kennedy Jr., ABA president-elect, and chairman, National Bank of Commerce, Pine Bluff, Ark.; Herb Cohen, negotiations expert; U. S. Senator Alan J. Dixon (D.,Ill.); George Plimpton, known as the "professional amateur" and author of numerous books about his exploits; John Block, Secretary of Agriculture; and Donald Rumsfeld, Secretary of Defense under President Gerald Ford.

St. Louis bankers will participate as members of an investment panel during a luncheon to be sponsored by the Illinois Club of the Prochnow Graduate School of Banking. Panelists will include Carl L. A. Beckers, Centerre Trust Co.; John W. Rose, senior vice president, Centerre Bank; and Frank K. Spinner, chairman/president, Tower Grove Bank.

The convention schedule will begin on June 6 with a "Sundown Sashay" opening reception in the exhibit/registration area.

The first general session will begin at 8:45 a.m. on Monday, June 7. Messrs. Laffer, Kennedy and Block will address the convention that morning; the investment panel will participate at the Graduate School of Banking luncheon at noon; and Messrs. Dixon and Cohen will speak during the afternoon session. A spouses luncheon also is set for Monday, featuring Carol Matthews, syndicated financial columnist for the New York *Post*.

Tuesday's business session will begin at 8:45 and will include the annual IBA business meeting with election of officers and presentation of reports, followed by a talk by Mr. Newman.

The convention luncheon will feature Mr. Plimpton and Mr. Rumsfeld will appear on the afternoon general session program.

The traditional banquet with entertainment will conclude the convention Tuesday evening. ● ●

James Fitch to Preside at Convention: Lovett, Skopec, Bolger Are Officers

PRESIDING at this year's Illinois Bankers Association convention will be James A. Fitch, president, South Chicago Savings Bank, and IBA president for the 1981-82 term.

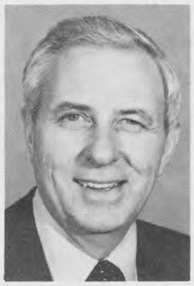
Serving with Mr. Fitch during the term are Donald R. Lovett, chairman/president, Dixon National — IBA first vice president; Kenneth A. Skopec, president, Mid-City National, Chicago — IBA second vice president; and Thomas F. Bolger, president, McHenry State — IBA treasurer.

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

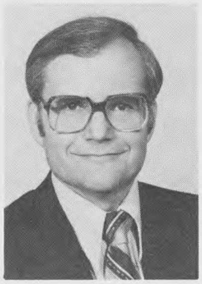
Mr. Lovett has served on the IBA's council of administration, executive committee and the committees on state legislation, bank management and nominations. He is a past president of Group Four. He entered banking full time in 1955 at Citizens National, Durham, N. C. He joined Dixon National in 1957 and was promoted to assistant cashier in 1960. He was named president in 1967 and has been chairman/president since 1971.

Mr. Skopec has been with Mid-City National since 1952. He began as a teller trainee, was promoted to assistant cashier in 1957, assistant vice president in 1960, vice president in 1962 and president/CEO in 1972. He was elected to the board in 1965. He is a past president of IBA Group One and has served on the IBA committees on state legislation, EFTs and nominations. He also has served on the council of administration, executive committee and as vice chairman of the committee on federal legislation and chairman of the committee on bank management.

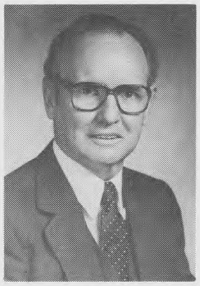
Mr. Bolger entered banking in 1941 at McHenry State. His first officer title was assistant cashier, which he attained in 1948. He has been president since 1974. He is past president of the



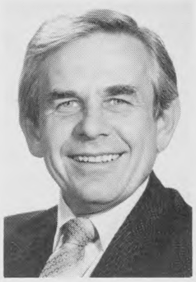
FITCH



LOVETT



BOLGER



SKOPEC

McHenry-Boone County Bankers Federation and has served on the IBA committees on federal and state legislation as well as on the council of administration. He has served on the board of the Independent Community Banks in Illinois and has held many positions in the Independent Bankers Association of America, including the top post as president. ● ●

New Officers Elected At Ill. Group Meetings

The 10 groups of the Illinois Bankers Association met in March and April to elect new officers. Elected were the following:

Group One: President — Kenneth J. Ozinga, executive vice president, Clearing Bank, Chicago; senior vice president — Bette B. Daniels, vice president, American National, Chicago; vice president — Robert K. Behr, president, First State, Chicago; treasurer — William C. Mitchell, chairman/president, Lake Shore National, Chicago; secretary — Herbert A. Dolowy, president, Lincoln National, Chicago.

Group Two: President — Neil Bach, president, Bank of Pontiac; vice president — Eugene R. Mischke, president, Colonial Trust & Savings Bank, Peru; secretary-treasurer — Richard J. Cassaro, president, First Bank, Channahon.

Group Three: President — Joseph L. Crabb, chairman/president, First State, Harvard; vice president — James L. Hamilton, president, Bank of Lincolnwood; secretary-treasurer — Mary Stanley, senior vice president/CEO, Community Bank, Hanover Park.

Group Four: President — Charles H. Sheesley, president, State Bank, Orion; vice president — Don E. Cousins, president, Central National, Sterling; secretary-treasurer — Vail W. Nortridge, president, State Bank, Freeport.

Group Five: President — Robert E. Chipman, vice president, Farmers State, Jacksonville; vice president — Harold D. Whitten, executive vice president/CEO, Montgomery County National, Hillsboro; secretary-treasurer — Jerald L. Bartell, president, Farmers State, Camp Point.

Group Six: President — William F. Heinhorst, president, Peoples State, Manito; vice president — C. Dan Karpowicz, vice president/cashier, South Side Trust & Savings, Peoria; secretary-treasurer — Erman E. Schairer, senior vice president, Woodford County Bank, El Paso.

Group Seven: President — Otto Thomas, president, First National, Danville; vice president — Jerry D. Stanley, president/cashier, Ingraham State; secretary-treasurer — James L. Meyers, president, First National, Ogden.

Group Eight: President — Randall A. Killebrew, president, First National, Petersburg; vice president — Robert W. Ashbaugh, CEO, Citizens Bank, Edinburg; secretary-treasurer — Henry Kirschner, chairman, executive committee, Town & Country Bank, Springfield.

Group Nine: President — David Vogt, president, First National, Columbia; vice president — Thomas Macias Jr., vice president, First National, Wood River; secretary-treasurer — G. Thomas Andes, president, First National, Belleville.

Group 10: President — Michael Travelstead, president, DuQuoin State; vice president — John C. Edgar, president, First National, Ava; secretary-treasurer — J. Grant Smith, president, First National, Wayne City.

The merger of First United Bancshares with First Bancorp of Belleville became effective recently.

● **Cummins-Allison Corp.** This Chicago-based firm is offering automatic perforators for a wide range of document-marketing applications. The perforators mark up to 25 sheets of paper at a time. Insertion of documents automatically triggers perforation. The firm says perforators are playing a greater role in helping com-

panies improve productivity of clerical personnel and improving internal control over document security systems because perforations are permanent; they can't be removed or altered. Cummins offers 35 models of perforators. Common applications include canceling invoices, bills of lading and insurance claims; numbering purchase orders and shipping papers; receipting mail; validating; and marketing EDP source documents. Write: Cummins-Allison Corp., 4740 N. Ravenswood Avenue, Chicago, IL 60640.

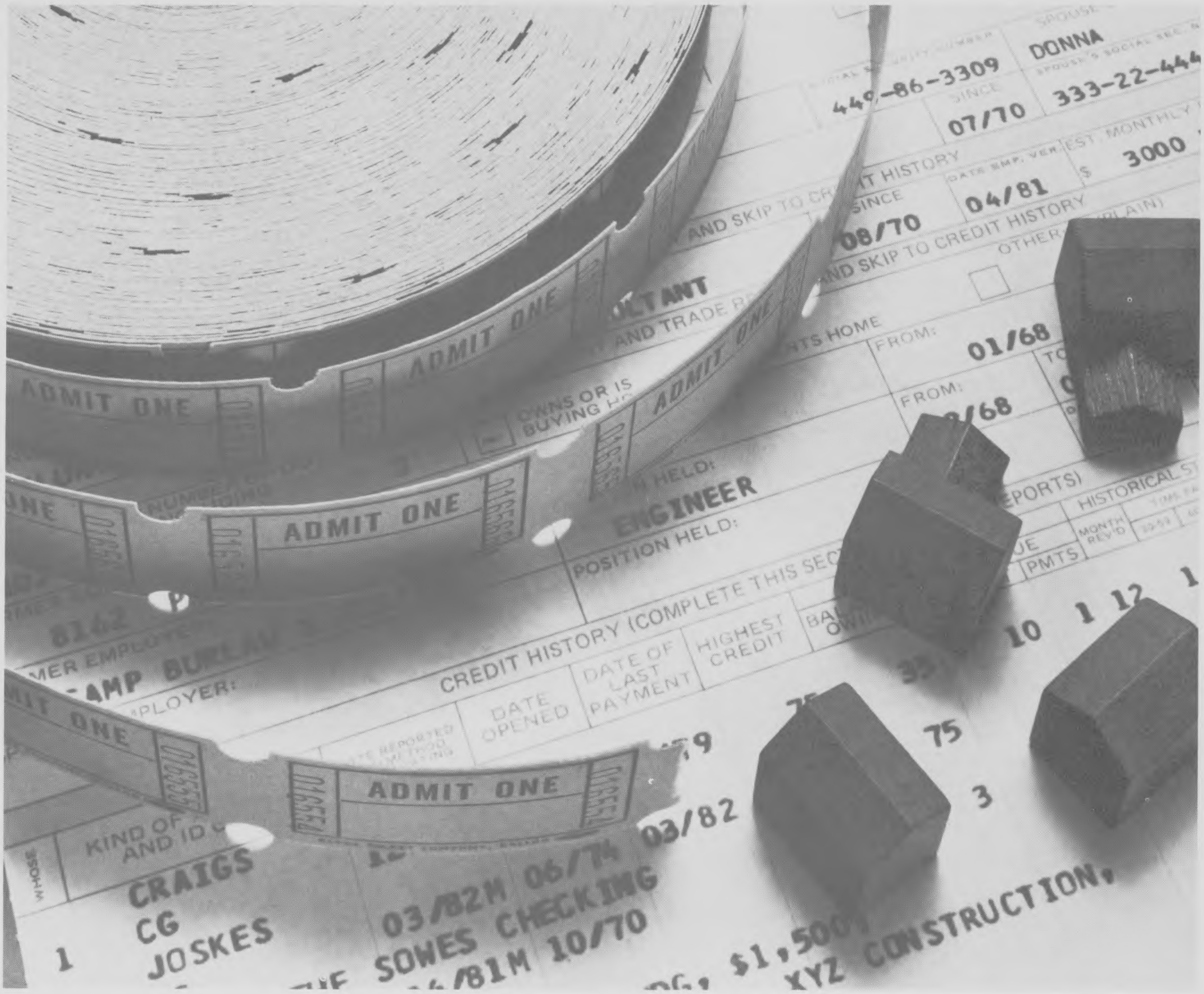
DIDC Finalizes Premium Rule To Prevent Multiple Gifts

The Depository Institutions Deregulation Committee (DIDC) finalized a temporary amendment to its rule concerning the use of premiums by depository institutions at its March meeting.

The new rule prohibits such institutions from soliciting the opening of multiple accounts from a depositor in order to provide for more than one premium at a time to the depositor.

Purpose of the rule is to prevent banks from advertising that lump-sum deposits brought in by a depositor could be broken up by the bank and placed in multiple accounts to enable the bank to give a premium for each account.

The committee amended its premium rules by adding the following sentence: "A depository institution is not permitted directly or indirectly to solicit or promote from customers on the basis that the funds will be divided into more than one account by the institution for the purpose of providing more than two premiums per deposit within a 12-month period."



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First of Belleville Opens Addition

FIRST NATIONAL, Belleville, Ill., now is operating out of its expanded quarters on the Public Square. The bank added 40,000 square feet of space to its existing 36,000-square-foot structure.

A focal point of the enlarged quarters is an atrium measuring 62x40 feet that separates the bank's two "tower" buildings. The east tower includes the bank's original building, constructed in the 1870s. The west tower is the new addition that was completed last December.

Both towers have four levels. First National occupies all levels in the new tower and the first and fourth levels in the original building.

The $4.5-million construction project was begun in the fall of 1980. Construction manager for the new tower was Bunce Corp., St. Louis. Architect for the new building was Hellmuth, Obata and Kassabaum, Inc., also in St. Louis. Plans now are being formulated for renovation of the original building. The illustration shows the project in its completed state.

The construction project reflects the growth First National has experienced over the last decade, according to Tom Andes, president. He attributes the growth to a greatly increased market share of the correspondent-bank business and growth in the geographic territory the bank serves.

The growth had forced the bank to move some offices and departments into buildings throughout downtown Belleville. Most of these offices and departments now are back on bank property.

First National's new west tower houses the president's and other executive offices and a board conference room on the first floor. The lower level, second and third floors house computer terminals, bank offices, loan departments and customer-service areas.

The new atrium overlooks the St. Clair County Court House.

First National held a week-long open-house earlier this year when the addition was opened. During that period, tours of the new building and refreshments were offered to the general public during banking hours.

Souvenirs of the open house consisted of bags holding 1,982 pennies. Each bag was tagged with the bank's expansion slogan: "There's something new in the heart of Belleville." A banner with the slogan festooned the exterior of the building.

Among the week's attractions was a treasure chest in the shape of a large plywood heart that was filled with prizes, including merchant discount certificates, commemorative trays and dollar coins.

Among the special events scheduled for the opening were parties for selected groups, including employees and families, shareholders, business people and correspondent bankers.

Donald C. Dempsey has been elected president of Washington State Bank. He succeeds Robert N. Zulian, who resigned to pursue other business interests.

Bartlett Bank has promoted James R. Evers and Patricia Cecil to executive vice president/CEO and vice president/cashier, respectively. They joined the bank in 1980 and 1971, respectively.

Artist's concept of completed expansion/remodeling project for First Nat'l, Belleville, Ill. Bank opened new structure (l.) recently and is formulating plans for remodeling original building (r.). Glass atrium (c.) connects two structures.

McDowell, Yates Running For IBA Posts for 1982-83

T. R. McDowell and Harlan K. Yates are candidates for the posts of IBA second vice president and treasurer, respectively, for the 1982-83 term.

Mr. McDowell is president/CEO, First National, Westville, which he joined in 1977. His first bank was First National, Danville, which he joined in 1962. In 1964 he moved to Sidell State, serving as CEO. He still is chairman of that bank. He also is president, Westbanco, Inc., a one-bank HC controlling First National, Westville.

McDOWELL

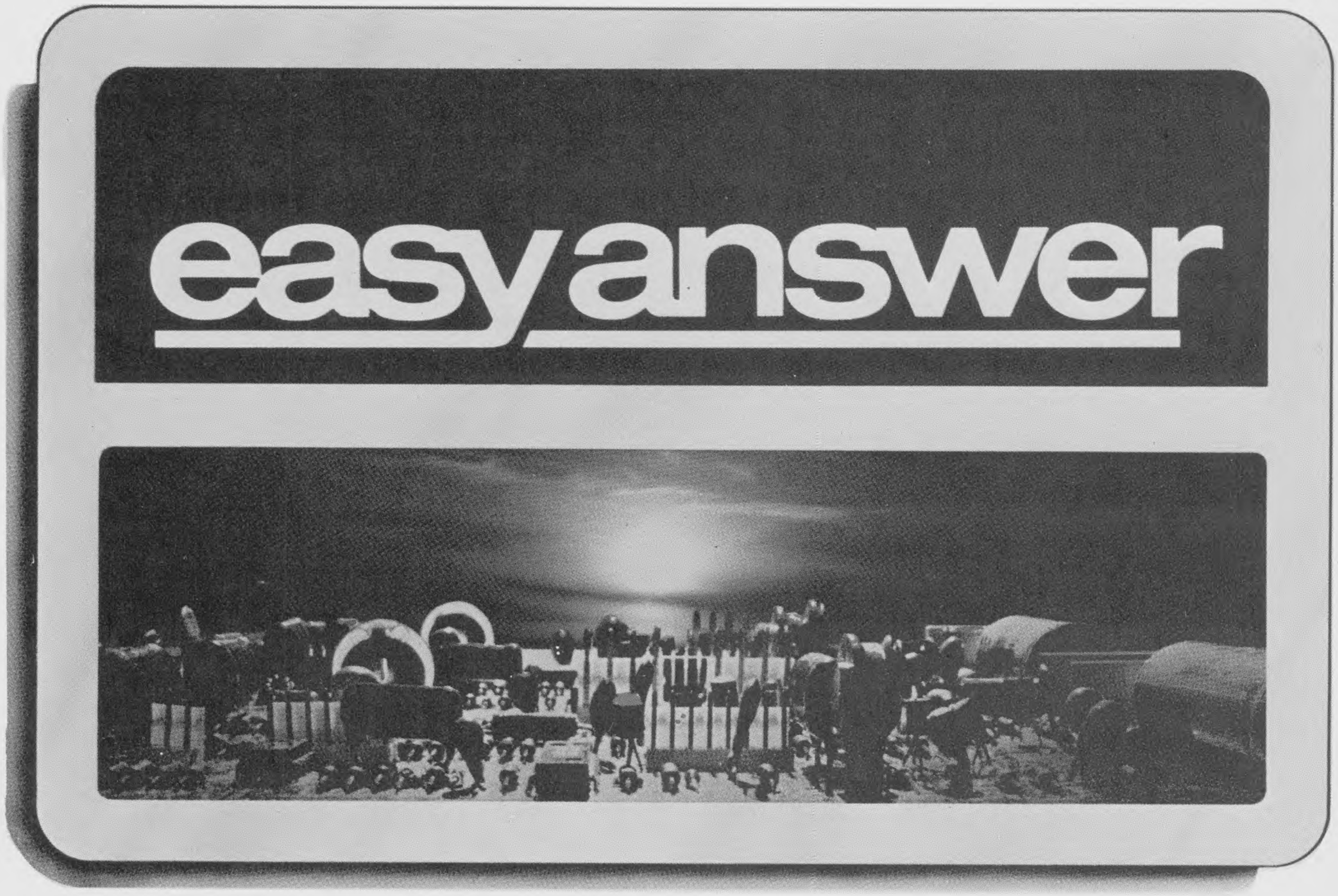
YATES

After going through the IBA Group Seven chairs between 1979-81, Mr. McDowell became IBA Bankpac chairman. He has been a member of the IBA council of administration since 1979 and has served on both the executive committee and the community relations committee of the IBA's agriculture division. He has served in all offices of the Vermilion County Bankers Federation and currently is the ABA contact banker for the congressman in his district. In October, 1981, he was elected to the ABA Council. He serves on both the IBA state and federal legislation committees.

Mr. Yates is president, Cisne State, and has been with that bank since he became a banker in 1949. He was named cashier in 1956, executive vice president in 1966 and president last January 11.

He has served in the offices of IBA Group 10 from 1976 to 1978 and as vice chairman of the bank security committee for the 1980-81 term. He has served on the IBA executive committee, the committee on nominations and the council of administration. At present, he serves on the state legislation and government regulations committee. He also serves on the ABA's community banking leaders council advisory board.

State Bank, Hull, has been acquired by Country Bancshares, a newly chartered HC.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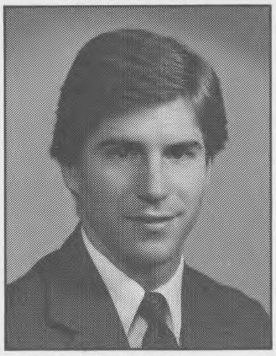
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'The Future Is Now' Convention Theme Planned for AMBI Meeting June 2-4

ABA's William Kennedy to be Keynoter

WILLIAM H. KENNEDY JR., ABA president-elect and chairman, National Bank of Commerce, Pine Bluff, Ark., will be the keynoter at this year's annual convention of the Association for Modern Banking in Illinois (AMBI), set for June 2-4 at Indian Lakes Resort, Bloomingdale.

Convention theme is "The Future Is Now." The theme will be explored during the general business session set for Thursday morning, June 3. During that session, a panel discussion about multi-bank HCs in Illinois will be held, bearing the title "Where Are We Now?"

Panelists will include Bernard E. Adee, vice president/corporate finance department, Robert W. Baird Co., Milwaukee; Judy Blacklidge, administrative bank HC examiner for the Chicago Fed; Thomas B. Hart, senior partner, Pope, Ballard, Shepard & Fowle, Chicago; and James W. Haugh, liaison tax partner, Peat, Marwick, Mitchell & Co., Chicago.

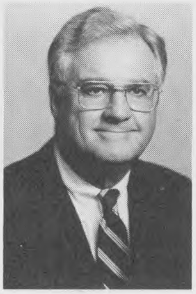
A second panel, also on multi-bank HCs, will be titled "What's in it for Me?" It will be moderated by AMBI Treasurer Willard Bunn III, president, Springfield Marine Bank, and president/chief operating officer, Marine Bancorp.

On the panel will be David E. Connor, president, Midwest Financial Group, Inc., a proposed multi-bank HC to be made up of six Illinois banks. Mr. Connor is president, Commercial National, Peoria.

Another panelist will be Harry E. Cruncleton, vice chairman/director, First Bancorp, Belleville, and president, Bank of Belleville, which, along with First National, Belleville, make up First Bancorp.

Also on the panel will be James F. Oberwortmann, president, First Midwest Bancorp., Inc., a proposed multi-bank HC.

The second general session, set for Friday morning, June 4, will feature AMBI business, including a treasurer's report by Mr. Bunn, a report from the nominating committee, a political-action report and the annual leadership report, given by AMBI Chairman Walter R. Lohman, chairman/CEO, First National, Springfield, and AMBI President James Watt.

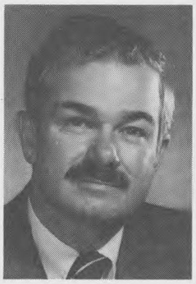


KENNEDY

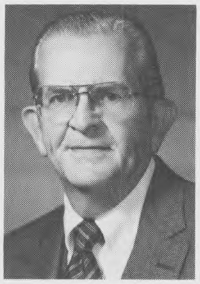
Speaker at the closing luncheon of the convention will be John E. Cribbet, chancellor/professor of law, University of Illinois, Champaign. Dr. Cribbet is head of the Executive Graduate School of Banking sponsored by AMBI at UofI.

The convention will begin at noon on June 3, when golfers and tennis players participate in tournaments. That evening, the annual reception sponsored by Chicago Loop banks will be held.

Thursday evening's entertainment will be Roger & Roger, impressionists.



WILSON



LOHMAN

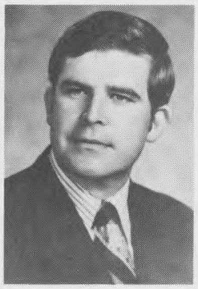
Six Officers Serve AMBI During 1981-82 Term

Six men have jointly held the reins of AMBI during the 1981-82 term. Among the elected officers are Walter R. Lohman, chairman/CEO, First National, Springfield — AMBI chairman; Charles C. Wilson, chairman/president, First National, Rock Island, and James Lund, president, Matteson-Richton Bank, Matteson — co-vice chairmen; Jerry Gummere, president, Peoples Bank, Bloomington — secretary; and Willard Bunn III, president, Springfield Marine Bank — treasurer. James Watt holds the position of AMBI president, an appointed position.

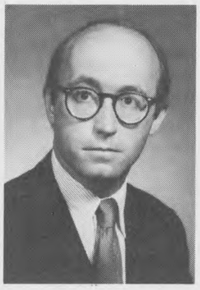
Mr. Lohman began his banking career in 1940 with Pleasant Plains State. In 1941 he was elected to the bank's board. From 1946-62, he served State Bank, Ashland, holding the position of president from 1957-62. He joined First National, Springfield, in 1962, was promoted to executive vice president in 1966, president in 1967, chairman/president in 1977 and chairman/CEO in 1981.

Mr. Wilson started his banking career in 1958 with Continental Bank, Chicago. He moved to First National, Rock Island, in 1960 and has served as president/CEO since 1975 and chairman since 1978. He is a graduate of the Graduate School of Banking, University of Wisconsin.

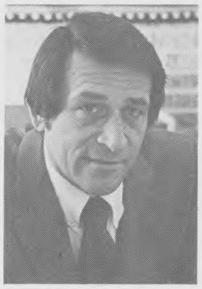
Mr. Lund entered banking in 1963 at Beverly Bank, Chicago. He moved to Matteson-Richton Bank in 1970 as president and has served as chairman/



WATT



BUNN



LUND

GUMMERE

president since 1980.

Mr. Gummere has been in banking since 1960, the year he joined Peoples of Bloomington. He has been president/CEO since 1979.

Mr. Bunn joined Chemical Bank, New York City, in 1968 to begin his banking career. He moved to Springfield Marine in 1978 as executive vice president. He was named president in 1980.

Mr. Watt joined AMBI as executive vice president in 1977 and was named president of the association in 1979. He is a former senior vice president/secretary, Bank Marketing Association, Chicago.

Continental Bank, Chicago, has promoted the following to vice presidents: John A. Goryl, John E. Houlihan, Earl W. Joss, Raymond J. Reid, Michael P. Ryan and David R. Zook. New second vice presidents include C. Dennis Blanz, Diana R. Burke, Jeffrey A. Finlay, Donald W. Koslow, Eleanor R. Kristensen, Richard L. LaVarnway, Gwen G. Nobbe-Asher, David R. Del Signore, John A. Frey, Obie L. LeFlore Jr., Thomas H. Nelson, Christine M. Summers and Jill T. Wiedner. Judith A. Bultman has been elected a second vice president of Continental Illinois Venture Corp. and Continental Illinois Equity Corp.

Six Illinois Institutions Announce Merger Plan To Form Multi-Bank HC

Six Illinois banks have announced a plan to form a $1.1-billion HC, to be called Midwest Financial Group, Inc. The banks are Commercial National, Peoria; Illinois National Bancorp., HC for Illinois National, Springfield; First Trust & Savings, Kankakee; and Champaign Bancorp, Inc. University National and Prospect National, both in Peoria, expect to participate pending final merger approval with Commercial National.

Regulatory approval of the plan could take up to a year.

The new organizational setup will permit participating banks to raise their loan limits, expand specialized services and better tap such funding sources as commercial paper, Eurodollars and larger CDs, according to David Leitch, assistant vice president, Commercial National Corp. He said geographic diversity across the middle of the state "will increase stability of earnings," and economies of scale will cut overheads.

The move was described by Mr. Leitch as an effort by downstate Illinois banks to prepare for the future, i.e., interstate banking.

He said the merger was agreed on voluntarily by participants and that none of the institutions is experiencing problems. All member banks will operate under their present identities after the merger.

Each of the participating banks campaigned for the Illinois multi-bank HC law that became effective last January. A joint statement by the participants said, "We have worked together for years to overcome the constraints of Illinois banking laws which have stunted the opportunities for the Illinois banking community to progress with the times."

Robert V. Polenzani has been named vice president/loan officer at First Security, Oak Brook. He joined the bank after serving as vice president/loan officer at First National, Marengo.

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No. 101 DIRECTORS...Selection Qualifications, Evaluation and Retirement.

This 42-page manual answers key questions concerning director selection, retention and retirement. Special section: the prospective director and how he should be expected to contribute to the bank's success. Includes a rating chart.

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No. 210 MAXIMIZING CORRESPONDENT BANK RELATIONSHIPS

Directors aren't "born" correspondent experts, but you can help them catch up in a hurry, and it's profitable for you to do so. This 100-page manual covers all facets of correspondent banking. Clearings and float analysis ... loan participations ... lines of credit ... foreign exchange, etc. This manual also helps directors APPRAISE correspondent services — to make certain you receive maximum service at a competitive price.

The manual also discusses several federal regulations, including the constraints imposed on "insider" bank lending by FIRA. A MUST for every bank director.

PRICE — $12.00

2-5 copies $11.00 ea. 6-10 copies $10.00 ea.

No. 220 — AN INVESTMENT GUIDE For the Bank Director

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

It is normal, says the author, for the board to closely scrutinize loan transactions since these occur more frequently and represent the bank's primary earning power. Yet, poorly-thought-out-and-executed investment policies can place a bank's capital in jeopardy, particularly when a bank is forced to liquidate investments during a period of rising interest rates.

Should the board "intrude" upon management prerogatives of the CEO in the administration of the investment portfolio? Not at all, says the author. However, a written policy, carefully structured around the bank's deposit and loan "mix," can be comforting during rising or falling interest rates.

As an aid to management and the board, the author presents numerous investment and portfolio management policy statements presently in use by recognized well-run banks.

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

PRICE — $23.00

2-5 copies $21.00 ea. 6-10 copies $20.00 ea.

No. 230 — CONTRACTS WITH BANK EXECUTIVES

In many banks, salaries, bonuses and fringe benefits of top management are covered by contracts. Since many contracts extend for periods of five years they call for careful construction.

This 48-page manual discusses the role of the board's Compensation Committee in determining the nature of such contracts. The author suggests that "performance" can and should be the key in rewarding the executive. Charts and worksheets are included to help the committee arrive at "fair and equitable" perquisites as motivating factors for the bank executive.

An aid to writing a NEW contract or in REVIEWING existing contracts.

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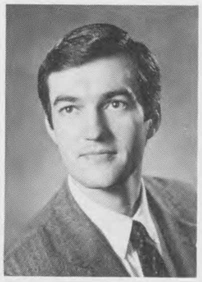
Hayes is First Chapter Dir. For AMBI Member Services

Patrick B. Hayes has been named manager of a new AMBI chapter program designed to expand the association's membership services.

Mr. Hayes is the former director of the national chapter services/community bank departments at Bank Marketing Association, Chicago.



HAYES

According to AMBI President James B. Watt, the AMBI chapters, once established, will perform a variety of functions:

- Providing a more frequent, regular and accessible forum for the exchange of ideas and information among AMBI members.
- Bringing AMBI services closer to the association's membership, making AMBI available to greater numbers of people within each member bank.
- Developing quality programming targeted specifically to meet the needs of a particular area of member banks.
- Serving as a pipeline between AMBI members and the association's officers, directors and professional staff for a freer flow of information.
- Providing another membership service to strengthen ties with existing members and enhancing membership development efforts.

Mr. Hayes is a former assistant director of marketing at Champaign National. While with the BMA, he coordinated the association's annual conference for community bank presidents, its CEO seminar and annual chapter management meeting. He has a background in the electronic media, having worked as a radio-TV product spokesperson, copywriter and newscaster in Champaign.

Continental Bank, Chicago, and Citibank (New York state) have reached final agreement for Citibank's purchase of Continental's $168-million indirect-lending portfolio, which includes retail installment sales contracts generated from dealers of autos, RVs and marine products. Continental's personal-banking-customer lending portfolio is not affected by the sale.

Mo., Ill. HC to Merge

General Bancshares Corp., St. Louis HC, has announced plans to merge with Mid-Continent Bancshares, Belleville, Ill., as the initial step in an expansion program for General Bancshares. Mid-Continent Bancshares controls Belleville (Ill.) National.

General Bancshares is the only Missouri HC that can expand across certain state lines, since it owned banks in Illinois and Tennessee prior to passage of bank-HC legislation.

The acquisition will be the first for General Bancshares under the Illinois bank holding company law of 1982 that permits expansion within an HC's own and one contiguous region.

ESOPs

(Continued from page 40)

ever before. A bank must obtain the best people to remain competitive. The current legislative picture and strong consideration of deregulation and interstate banking are going to make the marketplace even more fierce. There is a continuing need in America for the small- to medium-size independent banks. ESOPs can make it possible for more independent banks to survive and thrive. In the final analysis, ESOPs can be an effective instrument to attract, reward and keep the best people. An ESOP is a vehicle for raising much-needed capital. An ESOP provides a ready and viable market for bank stock. It creates a vehicle for estate planning and providing liquidity for shareholders. Finally, an ESOP is an excellent tool for reducing turnover and reminding all employees they are part owners of the bank and that as the bank grows, their financial futures will become brighter and more secure.

Bankers are beginning to share the rewards of the bank's success with key personnel. They are finding that by providing this sharing in the bank's success, they are increasing employee loyalty and motivation.

In addition to the above-mentioned benefits, a well-structured ESOP should increase bank profitability. It is not a substitute for sound management, good markets and competitive products. It is not a panacea. However, when properly utilized, an ESOP can have a tremendous and positive impact on a bank's success. ● ●

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Two Senators, Administration Official To Speak at New Mexico Convention

TWO U. S. SENATORS, a Reagan Administration official and the ABA president-elect will be among speakers at the 71st annual convention of the New Mexico Bankers Association. The convention will be held June 9-12 at the Four Seasons Motor Inn, Albuquerque.

The senators are Jeremiah Denton of Alabama (his home is in Mobile) and New Mexico's own Harrison H. Schmitt, whose home is in Silver City. Both are Republicans. Senator Denton was an American flier who was shot down in Vietnam and was held prisoner seven years (his story was told in a TV special some years ago). He will speak at the convention prayer breakfast at 7:30 o'clock June 11. Senator Schmitt will speak at the final general session at 9 a.m. June 12. He is a member of the Senate Banking Committee.

Jerry Jordan, a member of the President's Council of Economic Advisers, Washington, D. C., will appear at the first general session at 9:45 a.m. June 11. Before accepting his current post last fall, Mr. Jordan was dean, Robert O. Anderson School of Management, University of New Mexico/Albuquerque. During his career, he has been senior vice president/economist, Pittsburgh National; senior vice president/director of research, St. Louis Fed, and assistant professor, California State University, Northridge.

William H. Kennedy Jr., ABA president-elect and chairman, National Bank of Commerce, Pine Bluff, Ark., will speak at 9 a.m. June 12 during the first general session.

In addition, Albuquerque Mayor Harry E. Kinney and New Mexico Governor Bruce King will welcome conventioneers at the first general session June 11. The NMBA hopes to have both the Democratic and Republican candidates for governor on the program, too.

At the president's luncheon at 11:30 a.m. June 11 (with NMBA President J. Larry Carter as host), Larry Lanie, president, Guaranty National, Tulsa, will speak.

As is traditional, the convention will be kicked off with golf and tennis tournaments for men and women on June 10. The men's golf tournament will be held at the Rio Rancho Country Club, the women's golf tournament at the Albuquerque Country Club and both the men's and women's tennis tournaments at the Tanoan Country Club. All four events will start at 8 a.m.

Registration will start at 2:30 p.m. June 9, at 8 a.m. June 10 and at 7 a.m. June 11.

The past presidents' dinner is scheduled for 6:30 o'clock June 9. A reception from 5:30-7:30 p.m. June 10 will be hosted by State National, El Paso, Tex. A women's luncheon at 11:30 June 11 will feature Michele Scott, a personal-motivation expert who is president, Michele Scott Training Consultants, San Francisco. Ms. Scott also will discuss "Having What You Want in Life" at a workshop at 2 p.m. that day. A bridge tournament also is planned for 2 p.m. June 11.

From 5:30 to 7:30 that evening, El Paso National will be host at a reception, which will be followed by the NMBA convention banquet. At the latter, a stage show will star Tom T. Hall, country and western singing star, and will be followed by music for dancing to be provided by the Phil Lenk Orchestra.

At 7:15 June 12, NMBA Group Four banks will be hosts at a buffet breakfast. The convention will end with a reception at noon June 12 and a luncheon at 12:30. Humorist Newt Hielscher of Shreveport, La., will be the luncheon speaker.

The NMBA board will meet at 2:30 p.m. June 12.

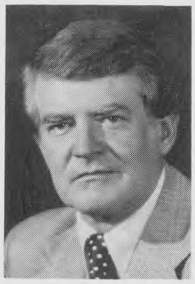
NMBA Officers. J. Larry Carter, who has headed the NMBA the past year, is president/CEO, First National, Albuquerque, posts he was elected to in 1977. He joined the bank in 1975. A native of North Carolina, he spent 13 years with that state's First Union National, where he opened and managed a new in-city branch in Charlotte in 1963 and established and managed an international banking department in 1968. He was named senior vice president responsible for the corporate banking division in 1969 and regional executive/western region in 1974.

Robert Hays, NMBA president-elect, entered banking in 1966 at Emporia (Kan.) State and joined Ruidoso State in 1978 as president, a post he still holds. • •

J. Larry Carter, president, New Mexico Bankers Association, and president, First National, Albuquerque, has been elected the first president of Western Bankers Service Corp. Purpose of the firm is to research, develop and market new services on behalf of member banks. The first new bank service being studied is creation of a money-market fund for member banks.

Anthony C. Leonard, president, Plateau, Inc., Albuquerque, has been elected to the board of American Bank of Commerce, Albuquerque.

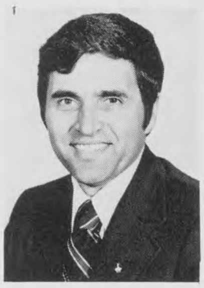

HIELSCHER


CARTER


HAYS


JORDAN


KING


SCHMITT

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'Revelry on River' Chosen as Theme For Kansas Convention in Wichita

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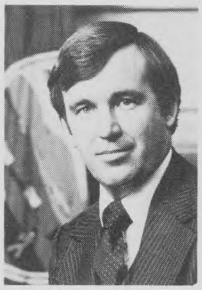


CARLIN

KANSAS bankers have selected "Revelry on the River" as their convention theme for 1982. The Kansas Bankers Association's 95th annual meeting will be held May 19-21 at Century II, Wichita. The convention site is a stone's throw from the Arkansas River.

The convention theme will be in the forefront on the first evening of the meeting, Wednesday, May 19, as Kansas bankers are welcomed to Wichita at the KBA's "Riverboat Experience" party, set for 6 p.m. at the Century II Exhibition Hall.

Earlier in the day, the KBA convention committee has scheduled the annual golf and tennis tournaments, the latter at the Crestview Country Club. Registration will be available from 8 a.m. to 8 p.m.

Several convention-related activities set for Thursday, May 20, will take place during the morning hours. The KBA governing council will meet at 8 a.m. for a breakfast meeting; the KBA Two-Mile Run will begin at 8:30 a.m.; a spouses' luncheon and social hour will begin at 11 a.m.; and the 50-Year Club will meet for lunch at noon at the Wichita Club.

The schools of banking luncheon also will be at the Wichita Club, starting at 11:45. The luncheon for members of Young Bankers of Kansas will be at the same hour at the Midian Shrine Temple.

Most of the afternoon will be taken up with the general session, which will convene at 2 p.m., presided over by KBA President Clifford Stone, chairman, Walnut Valley State, El Dorado. The meeting will be held in the Little Theater in Century II.

Program highlights will include a president's commentary, inductions into the 50-Year Club; remarks by Robert Brenton, president, Brenton Banks, Des Moines, Ia., who is slated to become ABA president-elect this fall; comments from Kansas Governor John Carlin and ABA elections.

Evening activities will include the all-convention party in the Century II Exhibition Hall. A social hour will be-

KBA Convention Calendar

Wednesday, May 19

7:30 a.m.—Golf Tournament.
8:00 a.m.—Registration, Little Theater Lobby, Century II.
8:30 a.m.—Tennis Tournament, Crestview Country Club.
6:00 p.m.—Welcome Party, "Riverboat Experience," Century II Exhibition Hall.

Thursday, May 20

8:00 a.m.—Registration, Little Theater Lobby, Century II.
—Governing Council Breakfast/Meeting.
8:30 a.m.—KBA Two-Mile Run, Bicycle Path Below Douglas Street Bridge.
11:00 a.m.—Spouses' Luncheon/Social Hour.
11:45 a.m.—Schools of Banking Luncheon, Wichita Club.
—YBOK Luncheon, Midian Shrine Temple.
Noon —50-Year Club, Wichita Club.
2:00 p.m.—General Session, Little Theater, Century II.
4:30 p.m.—News Conference.
6:00 p.m.—All-Convention Party, Century II Exhibition Hall.

Friday, May 21

8:30 a.m.—All-Convention Breakfast, Grand Ballroom, Broadview Hotel.
9:15 a.m.—Prize Presentations, Installation of Officers.

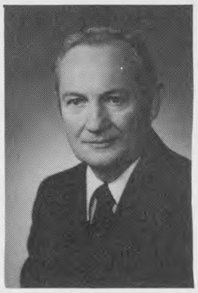
gin at 6 p.m. and will be followed by dinner at 7:30 p.m. Bankers will move to the Concert Hall at 8:45 p.m. for entertainment by Donna Theodore and Nipsey Russell.

The all-convention breakfast will conclude the convention activity. It will begin at 8:30 a.m. on Friday, May 21, in the Grand Ballroom of the Broadview Hotel. Prizes will be awarded to winners in the golf, tennis and run activities; officers for the 1982-83 term will be installed and Marilyn Vanderbur, former Miss America, will address the convention.

Convention chairman is Derald Linn, vice president, Kansas State, Wichita. ● ●

Dean W. Daniel has been promoted from president to chairman/CEO and David A. Wheeler was named president at First National, Coffeyville. Mr. Daniel joined the bank as president in March, 1971. Mr. Wheeler joined the bank as senior vice president in July, 1971. He had been executive vice president since 1976.

STONE



McNAY

DURNER

Stone, McNay, Durner Head KBA for 1981-82

Presiding at this year's convention of the Kansas Bankers Association will be Clifford W. Stone, KBA president, and chairman, Walnut Valley State, El Dorado. Backing up Mr. Stone as top officers of the KBA for the 1981-82 term are John G. McNay, KBA president-elect, and president, City National, Pittsburg, and Judd A. Durner, KBA treasurer, and president, State Bank, Burrton.

Mr. Stone entered banking in 1945 at Citizens State, El Dorado. He moved to his present bank in 1954 as executive vice president. He has been chairman of that bank since 1974.

Mr. McNay has been in banking since 1947, when he joined Kaw Valley Bank, Wamego. He joined City National, Pittsburg, in 1965 as president, the post he presently holds.

Mr. Durner became a banker in 1953 when he joined State Bank, Bern. He joined his present bank as cashier in 1966 and has been president since 1975.

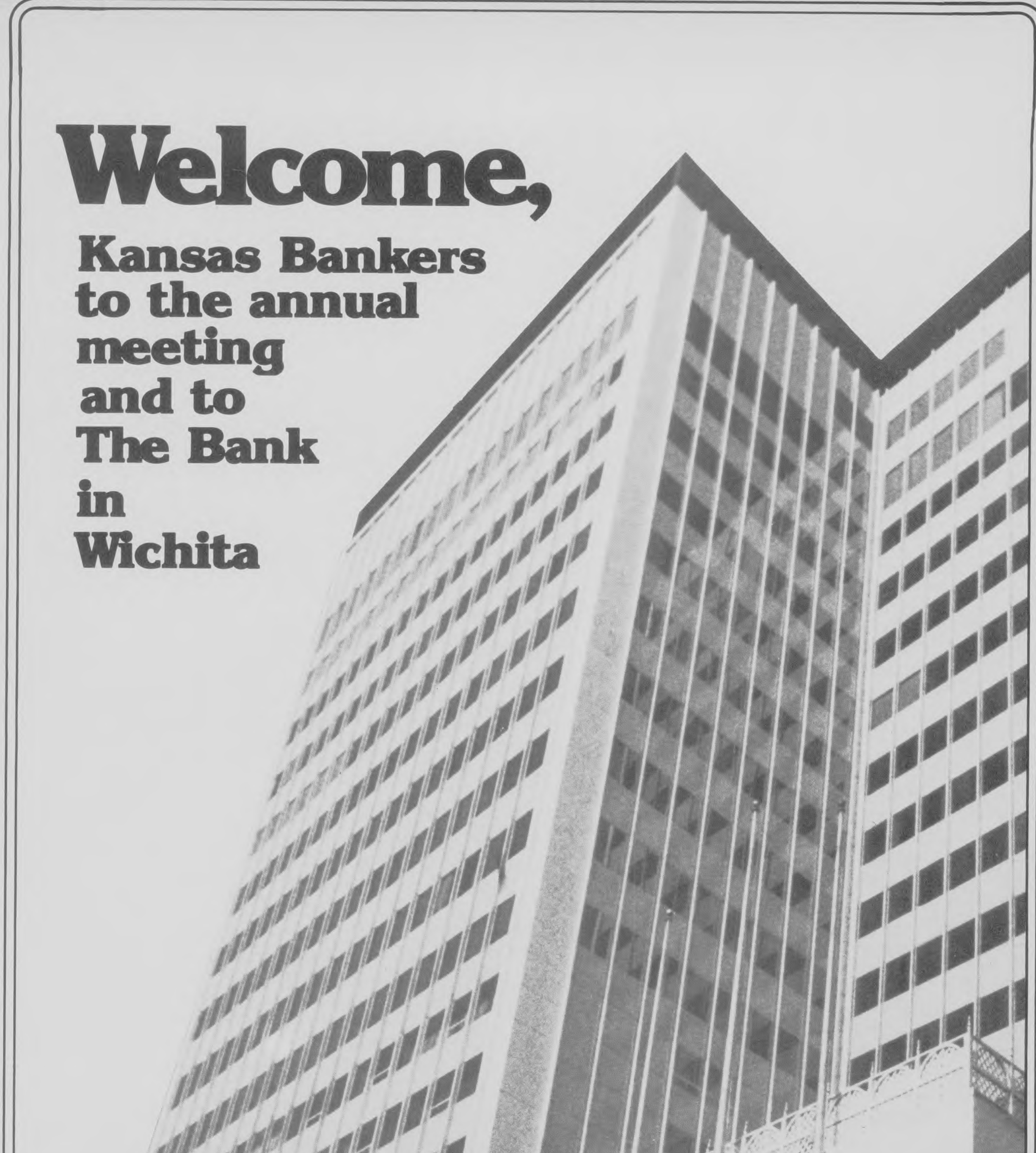
DIDC Action

(Continued from page 12)

In its *Washington Weekly Report*, (March 26), the Independent Bankers Association of America (IBAA) said, "Since its inception two years ago, the Depository Institutions Deregulation Committee has not been hip-deep in admirers. This week, the committee proved again why it has earned its reputation for mediocrity under pressure."

The IBAA warned that the instrument could turn out to be expensive for thrifts and commercial banks alike because some — and perhaps much — of the funds the 91-day instrument will generate likely will swim upstream from other, less-costly accounts already within an institution. And, continued the IBAA, while the institution will be freed from high interest-rate commitments after 91 days rather than six months or longer, the fickle economic winds have proved they can blow both ways.

According to the IBAA, FDIC Chairman William Isaac, a DIDC member, noted that the country's 8,000 small banks have 30% of their holdings in six-month certificates and an additional 20% in passbook savings — a vulnerability heightened by the regressive and anti-competitive reimposition of the differential. ● ●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CHANDLER

Chandler and Zimmerman KBA Officer Nominees

The KBA nominating committee has tagged Anderson Chandler, president, Fidelity State, Topeka, for KBA president-elect and R. H. Zimmerman, president, First Bank, Salina, for KBA treasurer for the 1982-83 term.

Mr. Chandler became a full-time banker in 1948 when he joined Farmers State, Sterling, as assistant cashier. He had been associated with First National, Wichita, prior to that on a part-time basis while a high-school student. He joined Fidelity State in 1958 as executive vice president and has been chairman/president since 1961. He is treasurer/executive committee member, Kansas Bankers Surety Co., Topeka, and a director of the following banks: First National, Ottawa; First Bank, Newton; Farmers State, Sterling; and Chandler Bank, Lyons.

Mr. Zimmerman entered banking in 1953 as assistant cashier at First National, Harper. He joined State Bank, Bentley, in 1960 as executive vice president; went to Home State, Lewis, in 1963 as executive vice president, and joined First Bank, Salina, in 1967. He has served as president since joining the institution.

Richard J. Mathews has been appointed vice president/commercial loans at First Continental Bank, Overland Park. He formerly was with Centerre Bank (formerly Columbia Union National), Kansas City.

Federal Land Bank of Wichita has promoted Max Fossey and Clarence Biggs to senior vice president/bank operations and senior vice president/field operations, respectively. The promotions are the result of a reorganization of the bank's five divisions that saw the field services, credit and audit/review divisions merged into the field operations division. The secretary's divison has been renamed the corporate services division.


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Winning Works of Art Of High School Students Appear on Bank's Calendar

First Continental Bank, Overland Park, Kan., has joined the ranks of corporate-art sponsorship, but its specialty focus is the works of exceptionally talented high school students from the local school district. The bank has published a high-quality, four-color student art calendar and has pledged $5,000 to an art-scholarship fund.

Works by 14 seniors were chosen in a juried selection of more than 100 entries for inclusion in the "collectors" calendar. Watercolor, oil, soft sculpture and silk screen were some of the media presented in the edition. Each page of the calendar is perforated for framing.

The bank sold the 1982 calendars for $2, and proceeds, which amounted to $1,400, went toward the scholarship fund. First Continental Bank donated another $3,600 to bring the fund to $5,000, which was distributed among the 14 students.

The bank, located in a suburb of Kansas City, Mo., hopes to make its art-sponsorship program an annual endeavor.

Peggy Shaughnessy (3rd from r.), a.v.p./marketing, First Continental Bank, Overland Park, Kan., James Sheridan (2nd from r.), bank pres., and Arzelle Ball (r.), supt. of Shawnee Mission (Kan.) schools, are pictured with four winners of bank's "collectors" calendar art competition. Their works and those of 14 other high school seniors were chosen for bank's 1982 calendar.

Professional Teller

(Continued from page 34)

1979. In addition, excessive absenteeism has been identified and managed.

Daily log sheets have boosted employee morale. High performers are now recognized and compensated. Peaks and valleys are placed in perspective. A teller's comments are read and recorded, opening the door for conferences with managers when the situation calls for them.

As a supplement to its Professional Teller Program, Third National also subscribed to Teller Service, an automated system of Bank Earnings International (Atlanta; Gerald Eickhoff, president). BEI's Bob Ivey directed the monitoring of staffing data for individual days of the week for individual branches. Transaction times, customer-wait times, teller lunch schedules and other data were compiled on computer printouts and delivered to branch managers to help them identify and plan for minimum and optimum staffing needs by the day and by the hour. As a result of Teller Service, individual tellers thus are able to manage their daily work, considering anticipated peaks and valleys so as to best meet customer needs. Additional tellers are supplied only when necessary, and branch management is in constant control.

"With the records available to us, we have the ability to recognize teller needs and, therefore, lend our support in these areas," says Ms. Kiefer. "Since 85% of our customers rely on our tellers on a regular basis, it is essential that our branches be run well — and that means knowledgeable, motivated tellers."

"We've worked hard on our image, and we've had great acceptance," adds Mr. Tirrill. "We never intended this to be a crash program. We've established our trends; now we're fine-tuning them." ● ●

Guaranty State, Kansas City, has increased its capital from $750,000 to $875,000 by sale of new stock.


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Richard Payne has joined Wichita's Southwest National as marketing vice president. He is responsible for overall marketing, public relations and communications programs for the bank. Mr. Payne spent the past eight years as public relations director, Alliance Insurance Companies, McPherson. His prior banking experience has included posts at Hudson State and with another Wichita bank. He also was information director for Wichita State University nearly five years.


PAYNE


DOMER

R. R. Domer, assistant to the president/security officer, Security National, Kansas City, retired recently, ending a 46-year banking career that included 28 years at First National, Centralia, one year at First National, Tulsa, Okla., and service at Security National since 1965. He is a former head of the correspondent department at Security National. He plans to make Centralia his base and has purchased a retirement home in Brownsville, Tex.

Farmers State, Hardtner, has doubled its capital from $100,000 to $200,000 by stock dividend.

Citizens State, Woodbine, has doubled its capital from $25,000 to $50,000 by stock dividend.

Training Program

(Continued from page 34)

view sessions is to refresh tellers on ideas and procedures taught in the original Teller Training School that perhaps were forgotten.

"It is our theory," says Barbara G. Makarowski, vice president/human resources, "that ongoing training is essential if our bank in total is to remain competitive in today's environment."

When all points of Phase Two are accomplished, a teller will be promoted in grade level with a classification of "professional teller" and receive an additional monetary reward.

Entry into the Professional Teller Program will be twice a year, January and July.

Fifty-seven tellers are enrolled in the current program. According to Ms. Makarowski, some of them who are taking the Accounting I course are having study problems because they have been away from school for many years. However, she adds, this is natural, and the bank foresees no major problems.

The bank's comptroller is teaching

the Accounting I course and, says Ms. Makarowski, this is a two-way benefit for employees: It is in-house, and the tellers are more at ease with the instructor because he is a bank officer.

The bank's Union City Office is 25 miles from its Main Office. Therefore, tellers at that branch are taking Accounting I by team study, with the assistant branch manager acting as adviser. Those tellers also will complete the course by the end of June. ●●

Leo J. Brenner Selected As Kansas Banker Advocate

Leo J. Brenner, president, Bazine State, has been selected as the 1982 Kansas banker advocate by the U. S. Small Business Administration (SBA).

The banker-advocate award recognizes special efforts to assist small businesses in obtaining financial assistance and support from financial institutions.

Prior to becoming a banker, Mr. Brenner was a vocational agricultural teacher in several high schools in western Kansas. After serving in the U. S. Air Force, he represented a Garden City agricultural firm until he became a banker in 1954.

He has been president of Bazine State for the past 19 years, and, according to the SBA, his success rate with small business loans has been exceptional. "Dollars that normally would have gone to the next town have stayed within the county due to having businesses there to serve the needs of the citizens," said Clayton Hunter, SBA district director in Wichita.

First State, Kansas City, has appointed Sharon E. Blasche and Beverly J. Davis assistant cashiers. They have been with the bank six years and 17 years, respectively.

Larry I. Henne has been promoted to president/CEO at Lorraine State. Robert W. Wise has been elected to the bank's board.

David B. Schroeder has been promoted to president, Arrowhead State, Kansas City. Frank Corbett has been named vice chairman. Edman L. Chapman was promoted to vice president and Mary Lou Weber to assistant cashier. Hazel Hoggard, vice president, has retired after 33 years with the bank.

News

About Banks and Bankers

Alabama

N. Q. Adams, president, First National, Mobile, has been named president/CEO. Lloyd B. Patrick and Joseph H. Baker Jr. were named senior executive vice presidents. Mr. Adams joined the bank in 1951. He has been president since 1978. Mr. Patrick has been with the bank since 1959. He has been an executive vice president since 1978. Mr. Baker joined First National in 1955 and has been an executive vice president/senior trust officer since 1979.

Central Bancshares of the South, Birmingham, has appointed Charles W. "Bill" Daniel to its board. He is actively involved in real estate development and investments. Mr. Daniel also serves on the board of Central Bank of the South.

ADAMS

EVANS

Illinois

Charles A. Evans, who travels in central and northern Illinois for Mercantile Trust of St. Louis' correspondent banking division, has been promoted to banking officer. He joined the bank as a management development candidate in January, 1980. A year later, Mr. Evans was promoted to banking respresentative/correspondent banking division, corporate banking department.

Kentucky

John E. Darnell Jr., president/CEO, Owensboro National, has been appointed a director of the Louisville Branch of the St. Louis Fed. His term expires in 1984.

First National, Louisville, has named Jeffrey A. Brill, Wanda L. Nunn and Linda L. Zacha vice presidents.

Third National, Ashland, has elected Russell J. Allen Jr. and Kerry L. Campbell vice presidents. John J. Ross, senior vice president/cashier, has been elected to the board.

United Kentucky, Louisville, has promoted Kathleen N. Klein and William N. Wagner to assistant vice presidents. Mr. Wagner is in the correspondent division of the commercial banking group.

First Hardin National, Elizabethtown, is providing a banking course at West Hardin High School and has offered the course to other schools in the area. Students are taught basics, such as writing checks, balancing checkbooks and how to make deposits. They also are exposed to ATMs, pay-by-phone and preauthorized billing services. They study about the free-enterprise system and the structure of banking. F. Alan Jones, assistant vice president, terms the course a "terrific PR tool," one that will cut administrative costs for bad checks.

Louisiana

Michael J. Rapier has been elected to the board at First Guaranty Bank, Hammond. He is president/CEO at National Bank of Commerce in Jefferson Parish, Jefferson.

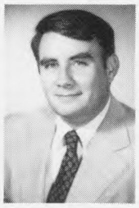
Max Pace has been elected president of American Bank and Great American Corp., Baton Rouge, and Huey J. Wilson has been elected chairman, Great American Corp. They succeed Joseph N. Traigle, who recently resigned as chairman/president/CEO of the HC and president/CEO of the bank.

Lancy Hill and Anita Corley have been promoted to senior vice presidents at Livingston Bank, Denham Springs. Mr. Hill has been with the bank for 25 years. Ms. Corley joined the bank 37 years ago.

Whitney National, New Orleans, has promoted David L. Eustis to vice president, Payton E. Bruns and Felix Jackson to vice presidents/trust officers and George Cassard III and Dorothy R. Archer to assistant vice presidents. Mr. Eustis joined the bank in 1971; Mr. Bruns has been with Whitney since 1969; Mr. Jackson since 1966; Mr. Cassard since 1981; and Ms. Archer since 1940.


JACKSON


BRUNS


EUSTIS

Oklahoma

Curt Bates and Mary White have been named installment loan officer and assistant cashier, respectively, at First Continental Bank, Oklahoma City. Mr. Bates joined the bank in 1980; Mrs. White is new to the bank.

Central National, Enid, has promoted Rosemary Dedrick to mortgage loan officer and Dale Pearson to data processing officer. They joined the bank in 1981 and 1980 respectively.

John A. Taylor, local oil man, has been elected to the board of Liberty National Corp., Oklahoma City.

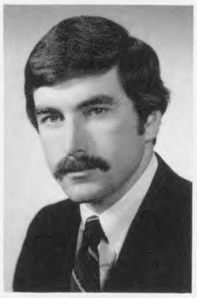
New Building Planned

Ground has been broken for a new building for Stock Exchange Bank, Woodward. Completion of the 20,000-square-foot structure is expected by next March. The two-story building is one block from the existing facility. The entire project is managed by Bunce Corp., headquartered in St. Louis.

First National, Oklahoma City, has promoted Patricia M. Kelley to vice president/personnel; Robert H. Wooten to assistant vice president/trust officer; Randall C. Burns to banking officer in correspondent lending; Portia Davis to operations officer/administrative services; and William H. Huhn to trust officer. Bank Marketing Systems, a division of First Oklahoma Bancorp., was honored recently with an "Addy" award from the Oklahoma City Advertising Club. The firm handles advertising/marketing activities for the HC, its subsidiaries and other financial institutions in Oklahoma.

K. Gordon Greer, president, Liberty National, Oklahoma City, has been elected to the board of Allied International Bancorp., Inc., parent of Allied Bank International, independently owned Edge Act bank. Mr. Greer succeeds J. W. McLean, chairman, Liberty National, who has served as chairman of Allied's board for the past two years.

Charles E. Cotter has been promoted to senior vice president/senior commercial loan officer at Fidelity Bank, Oklahoma City. He joined the bank in 1975 and had been vice president/commercial loan officer.


COTTER


RAINEY

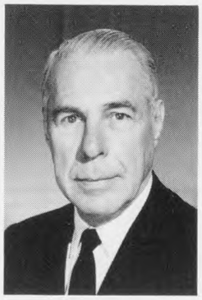
Tennessee

James A. Rainey has been elected vice chairman at Commerce Union, Nashville. He previously was senior executive vice president and continues responsibility for administrative, financial and credit supervision areas of the bank. He joined the bank in 1947 and had been senior executive vice president since 1980.

Jackson National has been acquired by Volunteer Bancshares, a newly chartered HC.

Walter Diehl Dies at 85

Walter J. Diehl, an original founder and director emeritus of Third National, Nashville, died last month at age 85. He began his banking career in 1915 with the old Cumberland Valley National in Nashville.



He participated in the founding of Third National in 1927. He was assistant cashier when the bank opened, advanced to cashier in 1929, vice president/cashier in 1941, senior vice president in 1947, chairman in 1950, senior chairman in 1964 and honorary chairman in 1970. He served as president of the Tennessee Bankers Association. He is survived by his wife and three children, one of whom is W. Joe Diehl Jr., e.v.p., Third National.

Texas

Stan Harrison has been named vice president/bookkeeping department head at First National, Amarillo. He formerly was a vice president at Amarillo National.

Albert G. Miller has joined RepublicBank Dallas as senior vice president/Americas division, international department. He had been with Citibank for 17 years and has lending responsibility for Latin America and Canada.

First National, Fort Worth, has promoted B. J. Crow to senior vice president/senior trust officer and named Mike Henry and Timothy Runkle vice presidents and David O'Brien trust officer. Robert E. Scott has been promoted to manager/personal financial services administration, investment management group. He joined the bank in 1969 and had been vice president/trust officer since 1976. Mr. Crow joined the bank in 1950.

Fed Revises Pricing Schedule

THE FED has announced revision of its charges to depository institutions for wire transfer of funds and net-settlement services. The new schedule became effective April 29. Pricing is being done in compliance with the Monetary Control Act of 1980, which requires that the Fed charge explicitly for its services and that the charges recover the Fed's costs of providing the priced services plus an adjustment for costs that would have been incurred if the services had been provided by private business firms. (This private-sector-adjustment factor — PSAF — is an allocation of imputed costs taking into account taxes that would have been paid and return on capital that would have been provided had the services been rendered in the private sector.)

The Fed's fees for wire-transfer services generally are above those for 1981, reflecting increased costs. The PSAF adopted by the Fed last January for use in determining 1982 prices is 16%. In addition, there is a structural change, imposing a charge on receivers of wire transfers.

The 1982 wire-transfer-fee schedule is:

1. Originator of a wire transfer will pay 65¢ per transfer.
2. Receiver of a wire transfer also will pay 65¢.
3. Surcharges for off-line origination of a wire transfer and for telephone advice of a wire transfer will be $3.50 and $2.25, respectively.

The Fed says it regards division of charges for wire transfers equally among senders and receivers as appropriate since receivers benefit from the wire transfer by immediate availability and irrevocability of funds; receivers may request that senders use wire transfer, and private-sector wire-transfer service most comparable to that of the Fed charges both senders and receivers.

The 1982 fee schedule for net-settlement service is:

- $1.30 per settlement entry, plus
- $5 per off-line settlement, plus
- $2.25 per telephone advice (if requested).

According to the Fed, all these fees are in accordance with pricing principles it established and published in December, 1980.

Reserve banks have the option of charging higher fees for net-settlement amounts that result in higher or unusual costs.

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