

MID-CONTINENT BANKER

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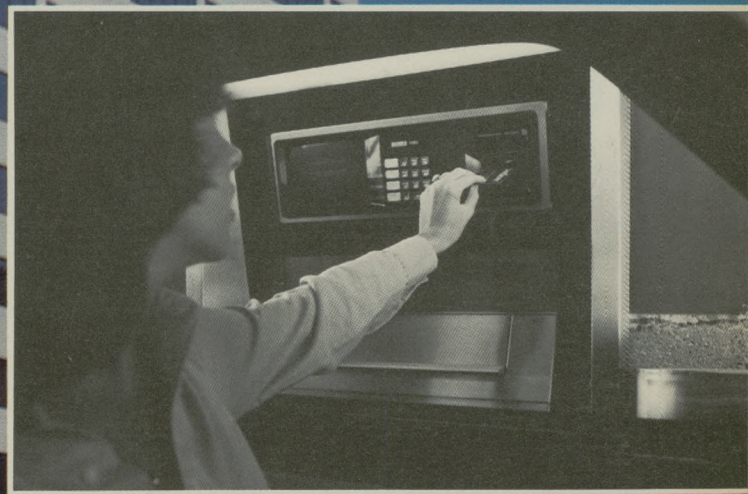
The Financial Magazine of the Mississippi Valley & Southwest

OCTOBER, 1982



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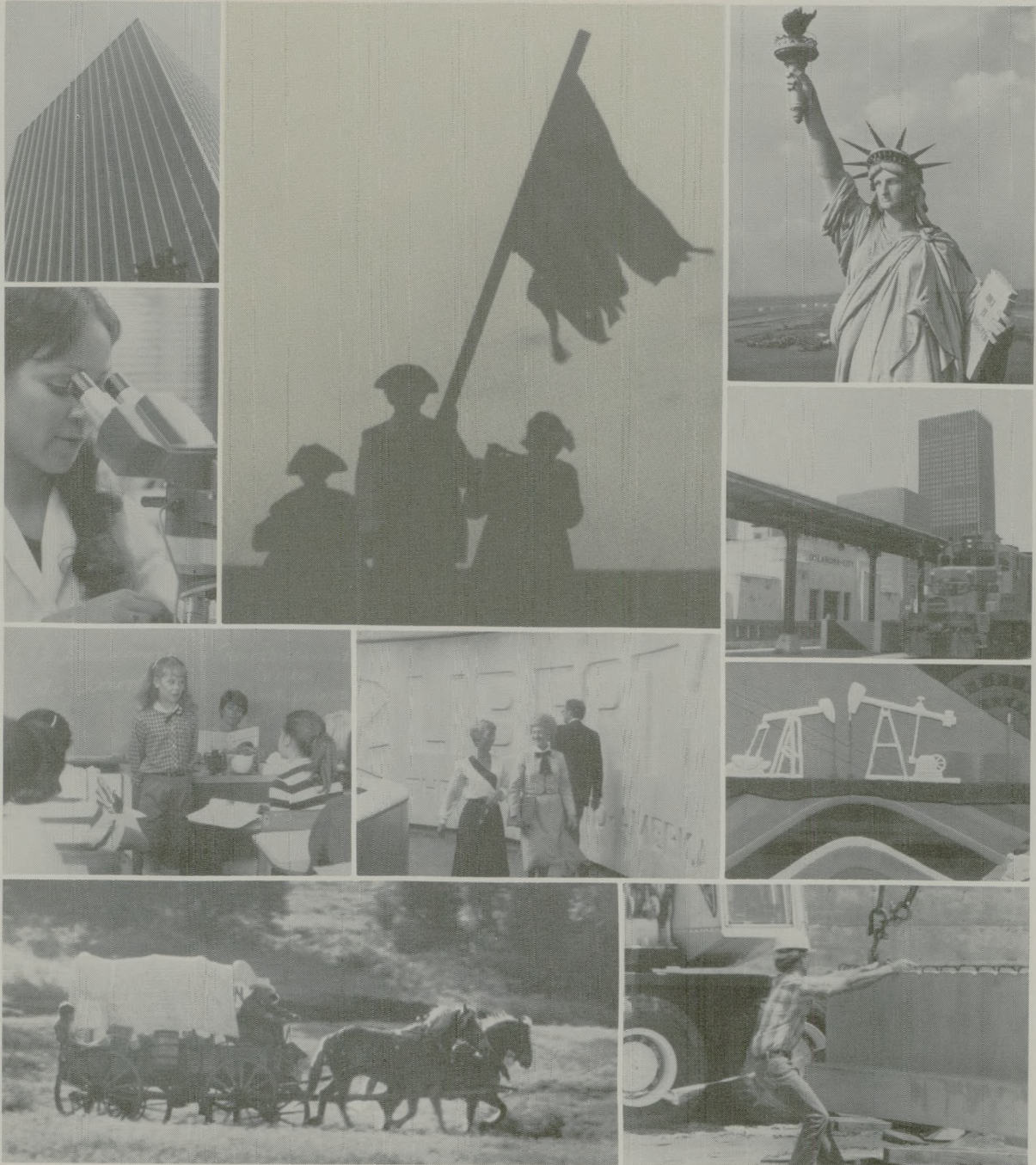
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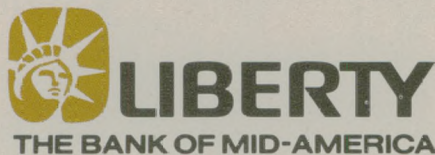
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The Financial Magazine of the Mississippi Valley & Southwest

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October, 1982

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Convention Calendar

- Oct. 24-27: Bank Marketing Association Annual Convention, Phoenix, Phoenix Civic Center.
- Oct. 24-27: Conference of State Bank Supervisors Seminar for Deputy Supervisors/Senior-Management Personnel, Boulder, Colo., University of Colorado.
- Oct. 24-29: ABA National Commercial Lending Graduate School, Norman, Okla., University of Oklahoma.
- Oct. 28-29: Dealer Bank Association Public Finance Seminar, Dallas, Fairmont Hotel.
- Oct. 31-Nov. 2: Independent Bankers Association of America Seminar/Workshop on One-Bank Holding Company, New Orleans, New Orleans Marriott Hotel.
- Oct. 31-Nov. 3: Robert Morris Associates Fall Conference, Bal Harbour, Fla.
- Nov. 2-5: Bank Administration Institute Mini-Micro Computers Conference, Dallas, Loew's Anatole Hotel.
- Nov. 3-4: Consumer Bankers Association Most Common Violations Found in Consumer-Credit Examinations, Atlanta, Southern Conference Center.
- Nov. 3-5: ABA International Banking Conference, New York City, Grand Hyatt New York.
- Nov. 4-5: ABA International Personnel Information-Exchange Group, New York City, Grand Hyatt New York.
- Nov. 7-10: ABA National Agricultural Bankers Conference, Chicago, Chicago Marriott.
- Nov. 7-19: ABA National Commercial Lending School, Norman, Okla., University of Oklahoma.
- Nov. 10-12: ABA Chief Financial Officer Seminar, Santa Barbara, Calif., Santa Barbara Biltmore.
- Dec. 7-10: Bank Administration Institute Money-Transfer Development Conference, San Francisco, Hyatt Regency San Francisco.
- Dec. 12-15: Bank Administration Institute ATM/5-National Conference, Dallas, Amfac Hotel-Airport.
- Jan. 16-19: Bank Administration Institute PATH III Conference, Houston, Hyatt Regency Houston.
- Jan. 23-26: ABA National Trust Conference, Atlanta, Atlanta Hilton.
- Feb. 6-9: ABA Telecommunications/Financial Networks Workshop, Kissimmee, Fla., Hyatt Orlando.
- Feb. 8-11: ABA National Insurance/Protection Conference, Orlando, Fla., Sheraton-Twin Towers.
- Feb. 13-16: ABA Conference for Branch Administrators, Denver, Fairmont Hotel.
- Feb. 20-24: Bank Administration Institute Bank Auditors Conference, San Francisco, St. Francis Hotel.
- Feb. 22-25: ABA Bank Investments Conference, Dallas, Hyatt Regency.
- Feb. 27-March 2: Bank Administration Institute Conference on Bank Security, New Orleans, Fairmont Hotel.
- Feb. 27-March 2: Bank Marketing Association Community-Bank CEO Seminar, Scottsdale, Ariz., Marriott's Mountain Shadows.
- Feb. 27-March 2: Bank Marketing Association EFTS Marketing Conference, Houston, Four Seasons Hotel.
- March 2-5: ABA Corporate/Commercial Marketing Conference, Washington, D. C., Capital Hilton.
- March 6-9: ABA Community Banks Executive Conference, New Orleans, Fairmont Hotel.
- March 7-8: Consumer Bankers Association Government Relations Forum, Washington, D. C., Loew's L'Enfant Plaza.
- March 13-15: ABA National Credit/Correspondent Banking Conference, New Orleans, Fairmont Hotel.
- March 13-16: ABA Trust Operations/Automation Workshop, New York City, New York Hilton.
- March 13-16: Bank Marketing Association Consumer Business-Development Training Workshop, Nashville, Radisson Hotel.
- March 17-20: AIB Leaders Workshop, Little Rock, Excelsior.
- March 20-23: ABA Western Regional Bank Card Conference, Dallas, Fairmont Hotel.
- March 23-25: Dealer Bank Association Annual Meeting, San Francisco, Fairmont Hotel.
- March 23-27: Independent Bankers Association of America Annual Convention, San Diego, Town & Country Hotel.
- March 27-30: Bank Marketing Association Advertising Conference, Chicago, Hyatt Regency Chicago.
- April 5-7: ABA International Banking Symposium, Chicago, Hyatt Regency Chicago.

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The Banking Scene



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

Special Counsel — A New Regulation Instrument

A NEW position has been created called "special counsel." The title is found in an increasing number of banks, especially national banks, ranging in size from less than \$25 million to over a billion dollars.

Origins of special counsel are unclear to many bankers as well as many observers of the banking scene. However, knowledgeable insiders see the designation as a red flag or danger signal.

In most instances, a bank employs a special counsel because it has received an extremely unfavorable report of examination and, in the more serious cases, probably has a board that has

Instead of a bank regulatory agency conducting an on-site investigation, the special counsel is appointed to do the job by the bank's board.

signed a memorandum of understanding with regulators. In addition, a cease-and-desist order probably has been issued by the regulatory agency.

In most cases, the special counsel is an attorney, due to the legal nature of the violations of various regulations that have occurred at the affected institution. However, there are instances when an attorney probably would not be the correct individual to handle the job.

One bank was ordered to retain a special counsel to conduct an investigation of all purchases and sales of securities and financial futures, forward placements and standby contracts between the bank and an investment corporation to determine whether the price-of-purchase-sale represented the fair market value of such a security or contract. That special counsel also reviewed extensions

of credit to officers, directors and principal shareholders to determine whether such transactions were in compliance with 12CFR215.4(a).

The advent of the special counsel is an interesting and probably desirable development. Instead of a bank regulatory agency conducting an on-site investigation, the special counsel is appointed to do the job by the bank's board. The counsel conducts the investigation and reports to both the board and the regulator.

An old Russian proverb states: "He who pays the piper calls the tune." Thus the special counsel, appointed and paid by the bank's board, may appear to be likely to engage in a cover-up or whitewash of an unsavory set of circumstances. However, a special counsel obviously not only has to meet professional standards acceptable to the board of a criticized bank, but also to the bank's regulator. The special counsel must respond to specific points raised by the regulator.

In more than a few instances, the appointment of a special counsel has been synchronized with an announcement of the resignation of both the chairman and CEO of the bank and, not infrequently, any directors who have been criticized for participating in improper self-dealing insider transactions.

When a special counsel is required by the regulator because of improper insider trading and self dealing, regulators should be congratulated. However, in one instance, a bank with assets of more than \$1 billion was charged with poor performance with respect to the Community Reinvestment Act and violations of the Truth-in-Lending Act that had resulted in overcharges to customers. In addition, customers had not been reimbursed for violations of Regulation Z that were cited in previous reports of examina-

tion. The regulator noted the bank's problems were caused by a general lack of knowledge of federal and state fair-lending and consumer-protection laws that resulted from the bank's failure to allocate sufficient human and monetary resources to operate the bank within the law. In such an instance, one must try to interpret the true meaning of such regulatory jargon. The bank was not charged with dishonesty.

Almost everyone believes that banks should be truthful and act as good citizens in their communities, but in this context, it should be recognized that an overwhelming majority

A special counsel obviously not only has to meet professional standards acceptable to the board of a criticized bank, but also to its regulator.

of financial institutions of all types have been — and now are — in violation of such regulations. If a billion-dollar bank has difficulty complying with Reg Z and the vast majority of financial institutions have similar problems, maybe regulators should acknowledge that Reg Z is unworkable. Most violations lack materiality and statistical significance, and costs of compliance exceed any social benefit.

A special counsel is the equivalent of an expert consultant. It would be presumed that a bank's board charged with appointing such a counsel would be concerned that it hired a top professional. Tracing such things as sales and purchases of financial futures, forward placements and standby contracts, and determining their fair-market value, call for the highest type of expertise.

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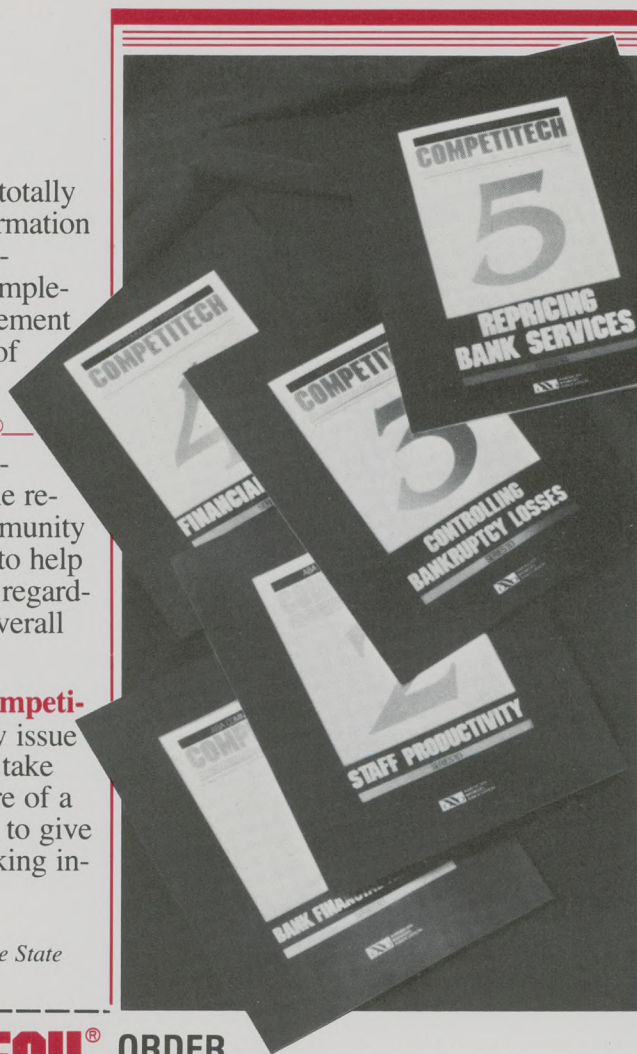
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Bank Holds "Robbery Exercise" for Employees

BANK ROBBERIES are on the increase nationally. They have become a major concern for bankers everywhere.

We are all asking ourselves the same questions: Are our security procedures flexible enough to prevent employee injury, yet stringent enough to hold any loss to a minimum? Are bank employees trained well enough to give good descriptions of the robbers to responding policemen? Can employees keep a mental "picture" of a robber long enough to pick the suspect out of hundreds of mug shots? At Clark County State, we decided it was neces-

By Larry Williams

sary to get the *answers* to these questions, using realistic but controlled simulations.

The "Adverse-Situation Exercise" was designed to give bank employees authentic experiences as victims of a bank holdup. It also would enable the local police department as well as bank employees to put into practice what they have learned about robberies and hostage situations.

"Holdups" were staged at each of our bank locations after regular bank-

ing hours. Tellers used "play money" and carried out regular transactions with "customers" comprised of bank employees. The "holdup men" were officers from the local police department who used actual unloaded weapons. Each exercise was supervised by bank and police personnel.

Here is a scenario of one of our exercises:

At 5:30 p.m., the manager opened his branch for a routine "day's work." As he unlocked the doors, "customers" came into the office and went to the tellers and the manager for normal daily transactions.

Approximately 10 minutes later, at 5:40 p.m., three men walked into the office, drew weapons, and one announced, "This is a robbery. Everybody on the floor face down. Don't look up or I'll blow your head off." Everyone quickly did what the man said as another leaped over the teller counter, pulled a sack from his back pocket and proceeded to take all the "cash" from the tellers' cash drawers. While this was being done, the other two men watched the tellers and the "customers" to see that no one moved.

A short 35 seconds later, the men were gone — out a back door to a waiting automobile and on their way.

Moments later, tellers and "customers" felt it was safe to get up. The alarm had been tripped during the robbery. Now the manager locked the bank, and all began implementing procedures they had learned. Each participant wrote descriptions of each holdup man, of their weapons (a 12-gauge shotgun, a sawed-off shotgun, and a .45 caliber automatic pistol) and gave the robbers' direction of travel. This information was given to responding police officers and radioed to other patrol cars immediately. Mug-shot books were shown to the employees. Every person was able to identify the holdup

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Larry Williams is assistant vice president, Clark County State, Jeffersonville, Ind., which he joined nine years ago and where he has charge of mortgage loans, security and compliance. Mr. Williams is president, Southern Indiana Bankers Association.

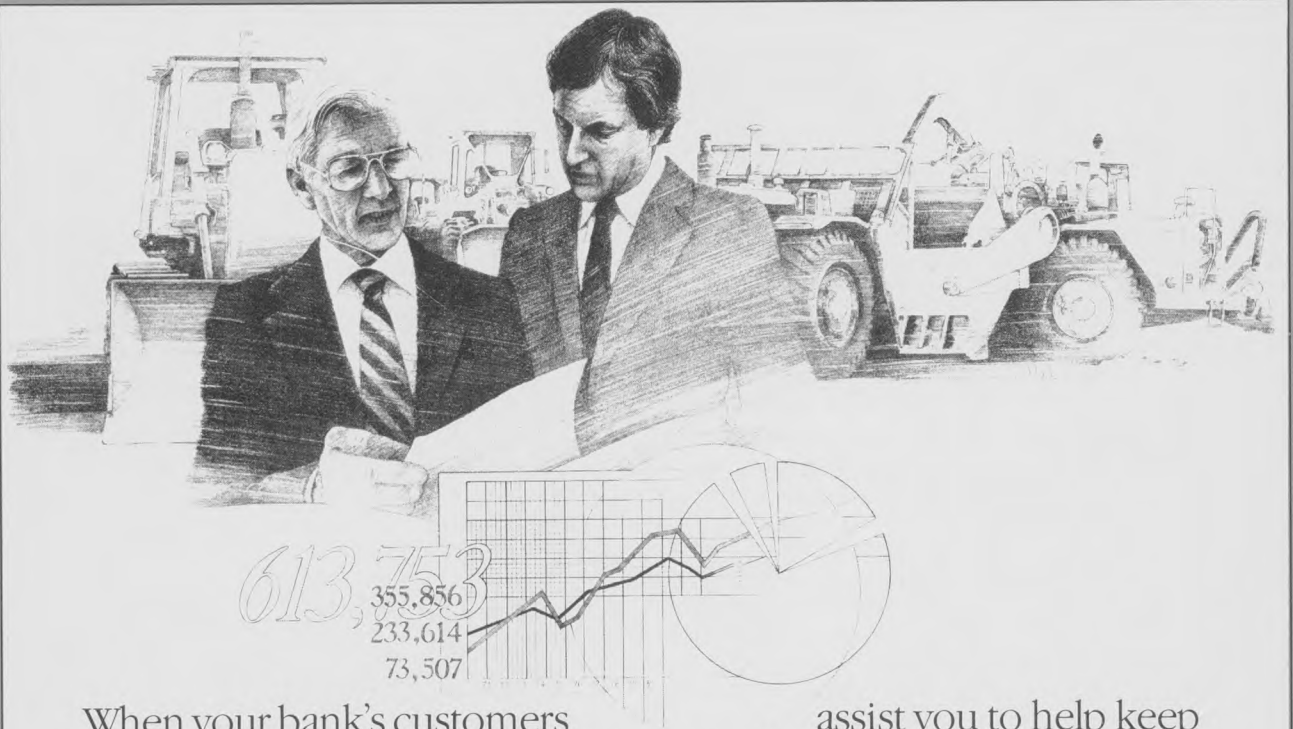


At Oak Park Office of Clark County State, Jeffersonville, Ind., three "holdup" men commit "robbery" while employee lies face down on floor. Bank designed these "Adverse-Situation Exercises" to give its employees authentic experiences as holdup victims and show them how to act if a real holdup occurs.



"Holdup exercise" at K-Mart Office of Clark County State, Jeffersonville, Ind., included "robber" vaulting over teller station (l.) and woman in raincoat and hat (r.) holding gun on employees and customers.

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MID-CONTINENT BANKER for October, 1982

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NEWS OF THE BANKING WORLD



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Richard M. Rosenberg, vice chairman, Wells Fargo Bank, San Francisco, has been elected 1982-83 president, Bank Marketing Association. He is completing a year as BMA first vice president and will succeed Leonard W. Huck, newly elected president, Valley National of Arizona, Phoenix. Elected first vice president was Barry I. Deutsch, senior vice president/head of marketing and communications department, Mellon Bank, Pittsburgh. The BMA's new second vice president is Smith W. Brookhart III, president/CEO, Centerre Bank, Branson, Mo. The newly elected treasurer is Kenneth J. Pennebaker, executive vice president, Twin City Bank, North Little Rock. All the new officers will be installed during the association's annual convention October 24-27 in Phoenix.

Louis Fernandez, vice chairman, Monsanto Co., St. Louis, has been elected to the board of Boatmen's Bancshares, St. Louis. He also is a director of the HC's principal bank, Boatmen's National, St. Louis.

Ben C. Wade has been named a senior vice president of the St. Louis Federal Reserve Bank, where he formerly was general auditor. He now has overall responsibility for the customer services department. Before joining the St. Louis Fed in 1980, Mr. Wade was assistant vice president/assistant manager, New Orleans Branch, Atlanta Fed.

Richard J. Wurzburg has been named executive vice president/planning and development, Bank Administration

Institute, Rolling Meadows, Ill. Mr. Wurzburg began his career in 1972 in the commercial banking department of Continental Illinois National, Chicago. From 1975-77, he held various marketing/planning posts with two Citicorp of New York City subsidiaries, Nationwide Financial Services Corp. and Advance Mortgage Corp. Most recently, he was vice president/corporate development, Inter-group Companies, a subsidiary of CNA Insurance, Chicago.

Harris Bankcorp, Inc., Chicago, has formed Harris Trust Co. of Florida, a Florida corporation, as a wholly owned subsidiary. The trust subsidiary, with offices in West Palm Beach, is a full-service trust facility, and it succeeds a trust representative office opened in 1979 by Harris Trust, Chicago, another HC subsidiary. Joan M. Baratta is the new corporation's chairman, and Jay L. Owen is its president. Ms. Baratta is senior vice president/head of Harris Bank's personal trust group in Chicago. Mr. Owen, as president, is in charge of the new subsidiary.

Continental Illinois National, Chicago, opened a New England regional office in Boston last month. Vice President Charles A. Huston is manager of the office, which is responsible for Continental's commercial-banking business in Maine, Vermont, New Hampshire, Rhode Island, Massachusetts and Connecticut, except for Fairfield County.

Barbara Williamson, vice president/cash management, Centerre Bank, St. Louis, was elected chairman of BankLink's management advisory group at a recent BankLink user conference in Virginia Beach, Va. BankLink is a com-

puterized corporate cash-management system designed to facilitate information flow to and from bank customers. It is comprised of 56 regional banks.

Gilbert F. Bradley retired September 1 as chairman/CEO, Valley National Corp. and its principal subsidiary, Valley National Bank of Arizona, both headquartered in Phoenix. He remains a director. As a result of Mr. Bradley's retirement, changes have been made in the executive management of the bank and its HC. Roger A. Lyon, president, Valley Bank, since 1976 and president, Valley National Corp., since its formation in July, 1981, was elected chairman/CEO of the bank and HC. Howard D. McCrady has been elected president of the HC and vice chairman of the bank. He was executive vice president of both and the bank's chief financial officer. He continues in the latter post. Leonard W. Huck is the new bank president. Mr. Huck, outgoing president, Bank Marketing Association, had been an executive vice president in charge of administration for the bank's more than 200 neighborhood offices and an executive vice president of the HC. Messrs. McCrady and Huck also have been elected HC directors.

Kenneth W. Lee has resigned from Central Bank of the South, Huntsville, Ala., where he was a corporate loan officer, to join the ABA as associate director/agricultural bankers division. His experience has been primarily with the Farmers Home Administration (FmHA), holding diverse responsibilities beginning in 1974. He went to the Huntsville bank in 1981.

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BANK EMPLOYEES who perform well usually are rewarded with promotions and/or salary increases, and that's to be expected. However, everyone likes to receive public recognition once in a while, too, and members of staffs of Commerce banks in Missouri do get such recognition through the parent multi-bank HC's (Commerce Bancshares, Kansas City) "Get It Done" awards.

In 1979, the HC's chairman/president, James M. Kemper Jr., established this award to provide recognition for outstanding performance by employees of the HC and its affiliates. The award honors Mr. Kemper, whose motto during his 26-year tenure as Commerce's chairman has been "Get It Done."

Each year, nominees are named from all Commerce banks throughout the state (this year, there were 43), and each receives a signed certificate.

Then, regional officers and personnel directors for the Kansas City, St. Louis and mid-state regions narrow the field to six persons — three officers and three non-officers. Earlier this year, the six names were announced at a regional luncheon meeting. From these six, the winning officer and non-officer are chosen by the HC's personnel committee.

Criteria for selecting officer versus non-officer nominees are somewhat different, says an HC spokesperson, but all nominees have the following in common: creative and positive approaches to their jobs, outstanding dedication and a commitment to excellence.

This year's presentations were held July 28 on the second night of the 1982 CEO conference. The evening began with a cocktail party in the new Commerce Bank of Clay County building in Kansas City. After dinner at a nearby restaurant, the entire group, including the six finalists, reconvened for the awards ceremonies.

The 1982 winning officer, Dianna Knight, Commerce Bank, Kansas City, and non-officer, Carol Dickinson, Commerce Bank, Columbia, each received 50 additional shares of HC stock and were presented with trophies, which will remain in their respective banks for a year.

Ms. Knight was cited for her work after the theft from a bank messenger of a bag containing teller transactions and cashed and deposited checks, all totaling \$1,530,532.32 (of this amount, \$522,352.83 was in checks). A massive reconstruction project was launched, with Ms. Knight spending the first full month primarily on this project, although she continued to perform her regular basic duties. She took on the responsibility of personally contacting each of the 556 customers involved to explain the situation and ask that they stop payments on their checks, obtain replacement checks and send them to her. She also did a lot of other work in connection with the reconstruction. Ultimately, the amount charged off as a loss was \$41,702, or about 2.7% of the original figures.

Prior to this incident, Ms. Knight's efforts to properly train and supervise all tellers at the 12th and Charlotte Facility produced an enviable record in 1981 of only \$411 in net teller differ-

ences, while the tellers cashed more than 165,000 checks and accepted some 275,000 deposits, many of which involved cash back.

Ms. Dickinson received her award for work in connection with ATM installations at her bank. John Guettler, the HC's vice president/personnel director, in making the presentation, said that, in addition to handling all her day-to-day supervisory duties, Ms. Dickinson organized internal staffing, training and operational changes needed to produce a smooth ATM conversion. Also, in her first full year as bookkeeping/proof supervisor, she created a group of well-trained, professional employees, and the result was improved working conditions and increased employee morale so that turnover problems were nearly eliminated and, with them, the costly training of new personnel.

Even without the annual "Get It Done" awards, these two bank employees probably would have worked as hard as they did. However, by singling them out and giving them honors, Commerce Bancshares probably has inspired other employees to strive for excellence on their jobs. ●●

Shareholders Approve Two-City-HC Merger Into \$21-Billion Firm

Shareholders of both InterFirst Corp., Dallas, and Fort Worth-based First United Bancorp., Inc., have approved a proposed merger of the two multi-bank HCs.

Subject to Fed approval, the merger would create a consolidated company with assets of more than \$21 billion. InterFirst Corp., which says it is the largest banking organization in the South/Southwest, had consolidated assets of \$18.7 billion at mid-year 1982. First United's total assets as of June 30 were \$2.5 billion. InterFirst's principal subsidiary is InterFirst Bank, Dallas. First United's is First National, Fort Worth.

If approved, the merger would place InterFirst Corp. among the top 15 bank HCs in the country.

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
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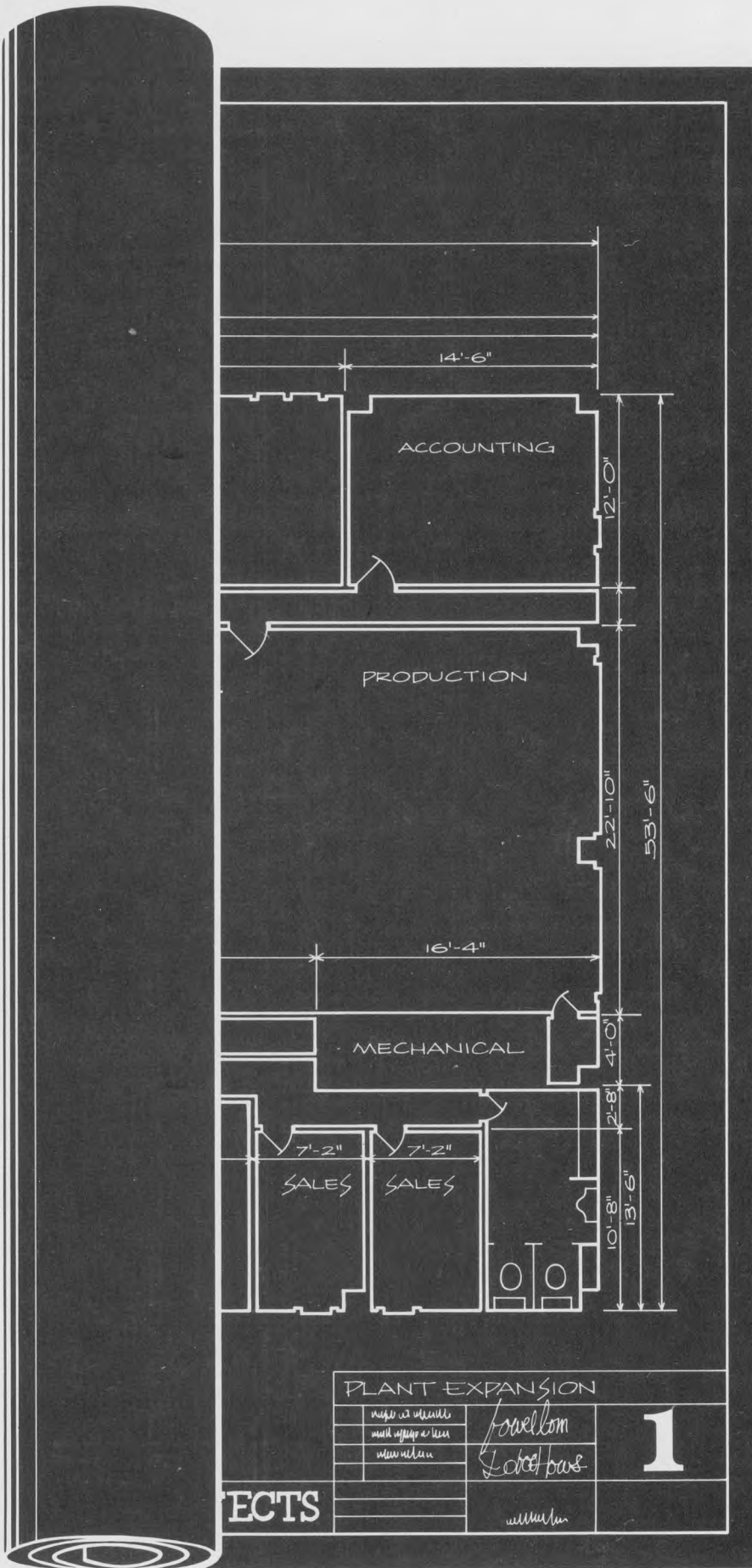


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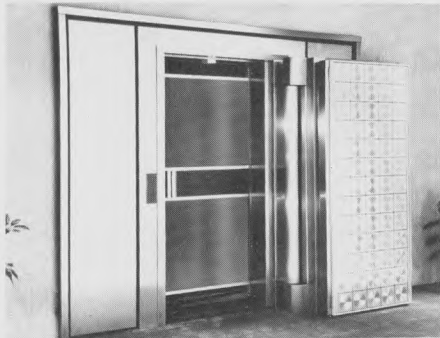
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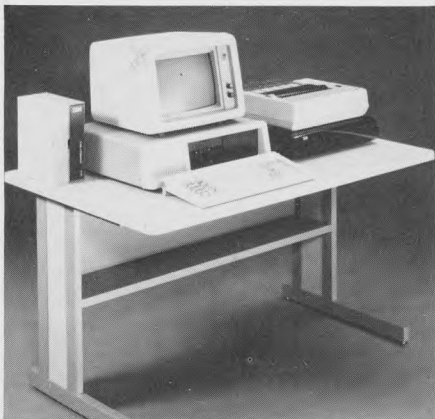
10TH AND BALTIMORE □ BOX 38 □ KANSAS CITY, MO 64183 □ (816) 221-2800 □ MEMBER FDIC

New Products and Services



• **Diebold.** This firm has introduced a new vault door that's listed by Underwriters' Laboratories for Class II and Class III ratings called Advanced Basic III. The stainless-steel door features an alarm contact and door-protection system that senses the position of the door as well as the mass of the door. The unit monitors the integrity of the heat-activated thermos and indicates whether or not the locking bolts are in proper position after the door has been closed. Write: Diebold, Inc., Canton, OH 44711.

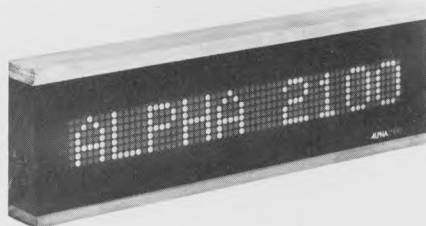
• **Rockaway Metal Products Corp.** This firm has introduced a new series of Compu-Tables, which, it says, are designed to improve productivity and efficiency in offices, including those in banks. They are said to be suitable for use with computers, printers, copy machines and other office equipment. All standard and deluxe models have safety-rounded corners on extra-thick one-inch-laminate tops. All models



come shipped knocked down, complete in one carton, with instruction sheets and all hardware necessary for pre-drilled assembly. Write: Michael J. O'Leary, Rockaway Metal Products Corp., 175 Roger Ave., Inwood, Long Island, NY 11696.

• **Bankers Video Service Corp.** This firm offers a Bankers Video Service Network program to train and motivate employees, develop management skills and market bank products and services. Programming is offered in the following areas: cross selling, supervisory-skills development, lending procedures, teller training, consumer education, industry developments and marketing approaches. Through a subscription service, banks receive new video training programs on a monthly basis. Write: Bankers Video Service Corp., 200 Guaranty Bank Building, Cedar Rapids, IA 52401.

• **Adaptive Micro Systems.** A programmable message-display unit has been introduced by this firm and is called Alpha 2100. The unit incorporates state-of-the-art advances in microcomputer technology and design and includes four operating modes: ro-



tate, flash or hold message and tell time. It can be suspended, wall mounted or used on a counter top. It includes a 1,000-character memory and features two-inch-high dot-matrix characters. It includes a hand-held programmer. Write: Adaptive Micro Systems, Inc., 9620 W. Greenfield Ave., Milwaukee, WI 53214.

• **Mosler.** A new 2000 Series vision window is available from this firm for use with remote-transaction systems and other drive-in applications. It's constructed of anodized aluminum framing and uses U. L.-approved bullet-resistant glass in either a clear or dark bronze anodized finish. The 2000 Series features options such as an "envelope only" depository, tellerette transaction drawer and undercounter cabinets. Write: Mosler Safe Co., Dept. PR-269, 1561 Grand Blvd., Hamilton, OH 45012.

Corporate News Roundup



WILLS



JENKINS

Mosler Safe Co. Robert (Chris) Jenkins has been promoted to vice president/general manager for the eastern zone of this Hamilton, O.-based firm. This zone is comprised of 15 states, including two in the Mid-Continent area — Illinois and Indiana. Before his promotion, Mr. Jenkins was Mosler's Gulf states regional sales manager in Tampa, Fla.

BarclaysAmerican/Business Credit, Inc. This East Hartford, Conn.-based firm has announced two appointments. H. Michael Wills has been appointed vice president/Dallas region manager. This region includes Texas, Louisiana, Oklahoma, Arkansas and New Mexico. Mr. Wills was regional vice president/manager of loan administration in the Dallas office. In BarclaysAmerican's Midwest marketing center, Matthew J. Sopchyk has been named business development officer. Mr. Sopchyk is responsible for structuring financial programs for prospective clients throughout the Midwest region, with special responsibilities in Illinois and Missouri. Before joining BarclaysAmerican, he worked for Westinghouse Credit Corp. Industrial Equipment Group as a sales representative.

Associates Corp. of North America. This firm has elected three vice presidents in the financial department: Corbin E. Bolinger, Esther A. Lord and I. P. Sicotte Jr. Messrs. Bolinger and Sicotte manage the firm's financial department offices in Dallas and San Francisco, respectively. Ms. Lord is responsible for administrative functions in the financial department. In related moves, Michael H. Garton was elected assistant vice president, responsible for management of the insurance-investment portfolio. Named assistant treasurers were Sandra S. Holmes, responsible for banking relations, and Daniel P. Slowinske, Chicago financial office.

CORRESPONDENT QUIZ

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

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

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

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

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

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

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



TO: Correspondents

FROM: Lynn Hobson, Gus Morris
Jim Newman

RE: Meeting your needs

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

Lynn Gus Jim

Remodeling Is Trend, But Many Questions Should Be Considered

REMODEL? Rebuild? Or just try to “make do” with present banking quarters? These questions must be considered by banks that have outgrown their facilities.

In a survey of building and design firms, MID-CONTINENT BANKER asked about current trends in bank modernization, trends that will affect decisions bankers and these firms must make before undertaking building projects. What effect will future technological developments have on their building plans? What about drive-up installations? Should automatic teller machines (ATMs) be installed?

Some of those answering the survey indicated that remodeling, rather than erecting new buildings, seems to be the current trend.

For instance, 60% of Bunce Corp. of St. Louis' projects involve remodeling, said the firm's president, Peter Bunce. He added that most existing bank structures are sound, and their locations make it imperative they continue operating on the sites. However, a remodeling project becomes difficult if the building is not sound, Mr. Bunce warned. A building professional is

qualified to determine whether the cost to remodel is money spent wisely.

Peter Bruck, president, Mid-Continent region, Bank Building Corp., based in St. Louis, commented, “You rarely find a bank's home office going into a new-building program now because when the capital investment involved is evaluated, the return is not as favorable as on most remodels/additions.”

He then listed four basic reasons for a bank to remodel.

First, it needs more space to meet its customers' needs.

Second, present space is inefficient in terms of personnel and equipment.

Mr. Bruck added that these first two account for about 80% of facility work.

Third, the bank needs to upgrade its image. It believes its appearance is inconsistent with the image it wants to present to the community at large. From an external standpoint, Mr. Bruck pointed out, the bank will change its image as a response to its competition. He said another reason for wanting to change a bank's image is in response to an urban-renewal program, rehabilitation effort, etc.

The fourth reason, he said, is legislative changes. The bank might get some kind of new authorization that would empower it to make a change or changes. It may be able to sell data processing to others or increase its trust powers.

BBC's group marketing manager, Frank Bottini, pointed out that, increasingly, bankers like the return-on-investment (ROI) of a remodeling program.

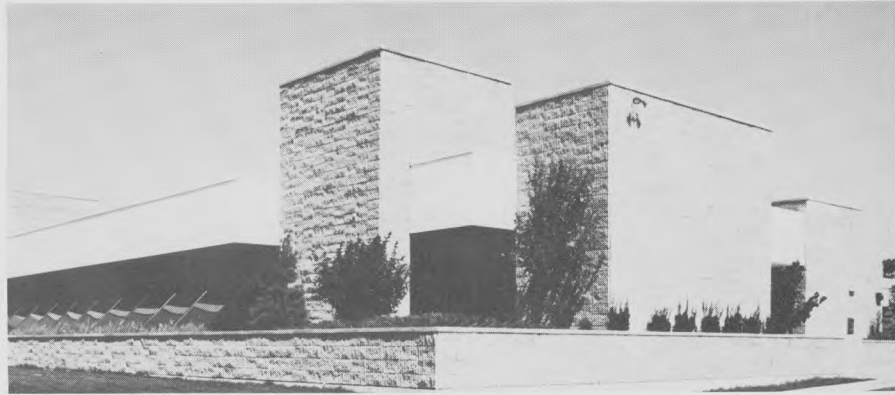
Don Flott, financial services consultant, HBE Bank Facilities, St. Louis, said that when faced with any kind of building or remodeling project, a bank should seek help of professionals to answer questions such as the following:

- Is the present location compatible with growth of the market?
- How will the site work in each case? What about accessibility, parking, drive-ups?
- What will be the difference in working efficiency in the remodel/add on compared to new? He cautioned that built-in physical restraints in older buildings may inhibit the most inefficient layout.



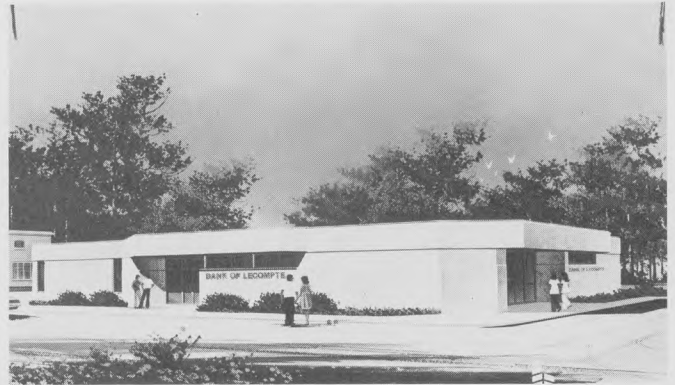
Before (l.) and after (r.) photos of Old Exchange Nat'l, Okawville, Ill., show how remodeling job transformed 1,800-square-foot structure into 4,700-square-foot building with sleek lines. Included in addition are a board room, new lobby/teller area and expanded drive-up. Original portion of bank was remodeled into offices for executives and loan officers. New brick exterior harmonizes old with new portions of building. Project was done by Ralph Korte, Inc., Highland, Ill. Len Daiber of the Korte firm says

changes in banking technology demand that banks upgrade their images every five-to-seven years; that all projects should include ATMs or provision for them; that the trend is toward drive-up service facilities along with ATMs; and that bankers generally get more for their construction dollar when they remodel rather than build a new structure, providing the site is valuable.



Here's what professional remodeling project can do, as shown by these before (l.)-and-after (r.) photos of Boatmen's Bank of West

County, Ballwin, Mo. Bank Building Corp., St. Louis, handled project.



Bank of LeCompte, La., will look like photo at right instead of way it looks now (l.) when remodeling project is completed. HBE Bank Facilities, St. Louis, handled project.

• What will be the possibilities for future expansion in each case?

• What will be the significance of differences in energy cost in each case?

• What kind of image will the exterior present to the customer?

• What are the phasing problems during construction with each option?

• What is the approximate construction-cost difference?

• What are the tax implications?

Further Considerations. Dick Domurat, president, Design/Build Concepts, Atlanta, said that, for remodeling to merit consideration, these basic questions must be answered and assessed:

Is the present building in the proper geographic area, and is the present location best serving the intended market? If not, and if branching alternatives cannot solve the problem, remodeling loses serious consideration.

Does adjacent property support parking and traffic flow for the intended program? Is adjacent property available for acquisition at fair-market prices? He said answers to these questions must be in the affirmative to consider remodeling.

Continuing, Mr. Domurat said that

if the preceding questions have acceptable answers, the next step is to analyze the character of the building itself. Is it worth saving; that is, is it structurally sound? Can intended aesthetics be achieved economically? What depreciation advantages can be gained or lost? What impact will the remodeling program have on taxes, ITC (investment-tax credits)? What are comparative remodeling costs vs. new construction? Is it feasible financially?

More Renovation Projects. There's much more renovation of banking facilities today than there was five to 10 years ago, according to Ernest E. Verges, AIA, of Ernest E. Verges & Associates, New Orleans. He said remodeling depends on a bank's needs and location. If the building is in a good location, he continued, and there is room for expansion, it's wise to renovate and expand rather than tear down and rebuild. However, he advised, if expansion space is a problem, relocation is imperative.

Community Leader. Whether a bank stays or moves can have an effect on its community, survey respondent Richard L. Bacon, AIA, of Richard L. Bacon AIA Architect & Associates,

Ste. Genevieve, Mo., pointed out.

"Because a bank typically is a business-community leader," he said, "its decision to maintain an established location could well be the determining factor in stabilizing a downtown area. On the other hand, a move to a newer part of town could be the needed catalyst to establish growth in that direction."

If a community's growth is strong in an area other than the existing bank location, Mr. Bacon continued, the bank can maintain that location as a facility while constructing a larger, more comprehensive building for the new main office in the high-growth area.

On the other hand, he said, if the existing location is a prime one, and the bank building is structurally sound, a remodel/addition project, by an architect experienced in bank programs, will result in an attractive, fuel-efficient building that fulfills current and future space requirements, with each area oriented to provide for optimum functional relationships.

'Go-Slow' Attitude. "For the past year," said Bank Building's Frank Bottini, "most bankers have had a 'go-



Directors of Nat'l Bank of Chilhowie, Va., had considered building new facilities elsewhere in less-desirable location than original site because latter was landlocked. However, new negotiations began as result of remodel study and culminated successfully in acceptable term lease. Entire program, which changed bank's appearance (top) to that of structure shown in bottom photo, was accomplished at approximately \$45 square foot, including site and interiors. Design/Build Concepts, Atlanta, handled project.

slow' attitude on most building projects because they were worried about the recession, problem loans and a wave of bankruptcies.

"High cost of funds and pressure on spread also have discouraged building. But recent reductions in interest rates, coupled with depressed prices on many construction materials, is causing many bankers to start moving on facility projects."

Converting a 'Bug.' "Remodeling is so much more complex than starting a building from scratch," said Peter Bruck, also of Bank Building. "You might compare it with trying to convert a moving Volkswagen 'Bug' into a bus instead of building a car in an assembly plant.

"Another example of contrasting remodeling with a new building is comparing a heart transplant with an appendectomy. The same range of difficulty exists.

"Remodeling involves a lot of trou-

bleshooting to determine problems because the bank must continue working during execution phases of the project.

"You need much greater creative-design capability to tie in changes with the existing building so it looks aesthetically cohesive. Anyone can add to existing buildings. The secret is in making it look right and function properly."

Mr. Bruck emphasized that the skill level and experience of the on-site project manager are critical to a remodeling program's success. He not only manages execution of the project, Mr. Bruck pointed out, but must do so in a manner that keeps the bank in business. This requires more than just knowledge of construction; it requires knowledge of how a bank operates. As examples, he said it might necessitate having laborers follow carpenters around with vacuum cleaners to hold

down the dust. It often means scheduling high-noise work during weekends. In addition, he continued, it requires awareness of security problems so security is maintained during construction.

"All these factors can add substantially to the project cost if the designer isn't experienced in bank remodeling," warned Mr. Bruck. "Extra labor resulting from unanticipated complications can add an extra 2% to the total job cost. If the firm handling a remodel project isn't experienced in estimating the cost of such work, the banker frequently will get an unpleasant surprise."

Mr. Bruck also pointed to another major trend affecting remodeling — electronic banking, including ATMs. He believes many banks are directing customers more and more toward electronic banking, and this has major implications on facilities and requires considerable expertise in evaluating alternatives.

For instance, he said, drive-up ATMs take up twice as much space as traditional remote-drive-up-teller systems. This must be considered when a bank has limited space for expansion.

However, said Mr. Bruck, other banks are trying to encourage more lobby traffic to cross-sell services and reinforce the personal base between bank and customer. He cited some instances where tellers are being asked to perform more complex functions — in some cases, to open new accounts. Some banks have sit-down-teller positions for their customers' comfort.

He sees an increasing need for more private space in banks because platform officers want to get out of the open, and customers have expressed a desire for more confidentiality in making transactions.

More Exacting. Remodeling and additions are more exacting than building new, commented HBE's Don Flott. He said the overriding factor is the need to stay open and maintain business with the least amount of disruption and inconvenience to customers and employees without increasing the cost.

Also, timing and phasing are much more critical in remodeling, according to Mr. Flott.

"It is equally important," he said, "that the new space appears and works as one unified area. If possible, this should be carried through to the exterior to present a completely 'new' image to the customer."

He pointed to lack of sufficient land for expansion, parking and modern, convenient drive-ups as one major re-



Citizens Nat'l, Decatur, Ill., had made a commitment to remain in city's central area, but needed to expand. It found the answer in a remodeling project that took in the first floors of an adjacent



building. The two structures were tied together by a common front, as shown in these before (l.)-and-after (r.) photos. Bunce Corp., St. Louis, handled project.

straint on rebuilding/remodeling.

Mr. Flott said there's a definite backlog of outmoded buildings and banks are delaying building/remodeling programs until the economy shows a positive trend.

Need Is Great. About one-third of the nation's financial institutions need new or remodeled quarters, said Peter Bunce of the firm bearing his name. Answering the survey, he pointed out that bank buildings more than five to 10 years old have many areas out of date because of recent advances in banking technology. There's an urgent need for more efficient building layouts to accommodate equipment and work space required by new banking technology of the 1980s.

In addition, he continued, banking transactions are becoming more complex and often require special areas — apart from teller stations — for which many banking quarters don't have sufficient space. It's not uncommon, he said, to see new machinery occupying space in hallways in many banks. That's a signal there is a shortage of space in the bank and that operations are becoming inefficient because equipment is not convenient to bank-personnel work areas.

Many bankers, said Mr. Bunce, find it difficult to decide whether a remodeling job will be adequate to bring their banks' operations up to date. The issues are adequacy of space, condition of a building, suitability of layout and general appearance.

In other words, Mr. Bunce said bankers may ask, "When we've spent all that money, will we have a good solution to our problems?" That's where the expertise of a professional bank builder is invaluable, he said. A professional can advise bankers about costs of remodeling versus building. He can provide sound planning advice

that will assure that every detail of modernizing a bank's operation is addressed. A combination of talents is needed. Then, Mr. Bunce advised, "The sooner an owner brings together a good team, the more control he will have over scheduling and budget."

Reasons for Remodeling. In discussing remodeling as opposed to building anew, Design/Build Concept's Dick Domurat said the state of the economy, high cost of financing new projects, consideration of most appropriate and profitable use of funds and new tax laws have led bankers to pursue remodeling and other creative alternatives rather than simply to build a new facility. All this, he added, places more of a burden on the design team and involves a higher construction risk, but, if handled properly, this often is a better professional solution as well as being most advantageous for the banker.

Mr. Domurat pointed out that for many potential bank-remodel candidates, several of the following already may exist and thus contribute substantial savings to the overall program: vault, vault door, trade fixtures, auto-teller facilities and other salvageable and reusable items.

Remodel programs are not without their own set of challenges, he warned. They require new approaches, techniques and reactions from the design team. Likewise, they require more demands and greater accuracy by estimators, contractors, and tradespeople than conventional programs and perhaps even methodical approaches inherent in new-building programs.

Once the decision to remodel has been made, Mr. Domurat lists these vital points that must be taken into consideration by a design team:

- Are environmental systems

adequate? What is the life cycle of present equipment? What about investment-tax credits and tax effect?

- What structural modifications are necessary to adequately upgrade the building?

- Does the basic character of the building interface with the intended operating floor plan, or is efficiency sacrificed because of existing conditions? Will form truly follow function in the new design, or does the existing facility negatively affect the results?

The design team truly must understand the total personality of the remodel subject. If this is not accomplished, warns Mr. Domurat, the budget ultimately will suffer; contractors either will lose money and/or sacrifice quality, or the banker will be faced with surprise extras for the "unknown."

- What are the economics of phasing or temporary costs during the construction period? Knowing how the bank will operate during this period and what it will cost must be serious considerations, and these costs must be part of the comparative process when weighing against new construction. Often, remodeling or phasing is the most practical solution simply because of logistics and not necessarily because of cost alone.

Architect Richard L. Bacon said a review of bank projects completed by his office the past 10 years shows that 65% were remodel/addition, while 35% were new buildings.

Future of ATMs

ATMs are a must in today's banks, stated HBE's Don Flott. He pointed out that nationwide ATM networks are being franchised today, and ATMs not only will be located in banks, but in shopping malls, factories, etc., just

like mailboxes, to provide cash-dispensing and deposit transactions on a nationwide basis.

He believes almost all projects now include provisions for ATMs, either immediately or as future installations.

As was pointed out earlier in this article, Bank Building's Peter Bruck sees electronic banking, which, of course, includes ATMs, as a major trend affecting remodeling.

Even more emphatic on this subject was Ken Fraiser, consultant services manager/Mid-Continent region, Bank Building Corp., who said, "The trend toward electronic banking is the strongest force in the market today because it has a big impact on future decisions made by bankers in any building program.

"Five years from now, many people will be making routine and sometimes fairly complex banking transactions through home computers. This trend, which most certainly is coming down the pike, will have to be factored into a bank's planning function.

"If the bank does not have adequate space for data processing, allowances will have to be made in the plans.

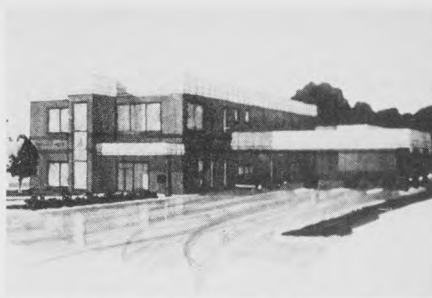
"We live in a 'convenience' society, and in everything banks do in a remodeling or replacement project, they must consider carefully each nuance of accompanying trends."

Another view was taken by Ernest E. Verges, the New Orleans architect, who said, "I do not agree that every bank project needs to include ATMs. Although this technology is here with us today and is being vastly improved every year, I don't feel that some banks in certain locations could use this equipment. I believe this is a decision to be made by the bank in projecting its overall future growth and services."

What About Drive-Ups?

Mr. Verges said all new bank buildings his firm is designing have larger and more sophisticated drive-up equipment than did the old buildings. He believes there's less emphasis on lobby traffic and the need for desk personnel.

HBE's Don Flott pointed out that drive-up requirements are more evident with the demand for fast, convenient service. He said lobby-space needs seem to be changing slowly, and there probably will be less traffic. However, according to Mr. Flott, one of his Louisiana bank clients believes his tellers are more important than ever because of increased emphasis on complex transactions. They have to be better informed on the wide range of services the bank now offers, especially since customers are more sophisti-



This is artist's sketch of project underway at bank in Fairfield, Ill., with Richard L. Bacon, AIA, of Richard L. Bacon AIA Architect & Associates, Ste. Genevieve, Mo., as architect. Addition to bank includes lower level and two upper levels, with glass-front elevator that will overlook new pool/fountain and town square.

cated than they used to be about interest rates and cost of services. Mr. Flott added that more space will be required for desks in the future because of more complex transactions, such as money-market funds, money-market certificates, etc.

Dick Domurat of Design/Build Concepts said that unless a banker is emphatic and insists on no ATM provisions, his firm always tries at least to plan space for a future ATM if one is not being installed during the construction phase. The firm has installed or provided for ATMs in 13 of its last 15 projects at both banks and thrifts, main offices and branches.

When to Remodel/Rebuild?

Generally, survey respondents said every bank needs to rebuild or remodel every 10 years. Dick Domurat said Design/Build Concepts forecasts deposit volume, personnel and space 10 years ahead. However, he added, his staff is cautious about two major points:

1. Don't overbuild or create a facility so specialized that it will need major repair or renovation within the 10-year growth period.

2. The operating plan must remain flexible to change with new technology and with innovations, and a master plan must exist to a conceptual degree beyond the 10-year period.

Mr. Domurat gave this example: "Ratios of activity, deposits, loans-to-people and people-to-loans space are changing constantly. Six years ago, it took approximately 1.5 persons for the average million dollars of deposits. Today, the ratio is closer to one-to-one, and, in 10 years, it will be reduced again by nearly 40%. Between fluctuations in inflation factors and banking technologies, long-range forecasting is a specialized field; considering a wrong calculation of, for instance, four per-

sons in the 10-year plan can cost as much as \$200,000 over the life of the investment."

HBE's Don Flott agreed on the 10-year period, adding that some form of improvement or change is necessary to keep up with internal growth, changes in market location, marketing, delivery of services, legislative changes, etc. He said these call for changes in space relationships and magnitude to achieve maximum efficiency. Many of these changes create a need for flexibility in the original design and careful planning as to how to expand with minimum inconvenience and cost in the future.

Why Remodel/Rebuild?

Most bankers remodel or add on because they see a need for more space, said Mr. Flott. Efficiency (productivity) is a secondary reason to the banker, but should be foremost to the designer planning new or remodeled space.

In most metropolitan areas, where competition influences a person's choice of a bank, he added, bankers are motivated to build to maintain a competitive edge, to be able to offer the most up-to-date services, improve work flow and reduce labor and operating costs.

Robert W. Williams of Design/Build Concepts agrees that more space is the main reason banks remodel or rebuild. Most often, he added, this need is for a loan platform, offices, administrative and/or vault space, parking and/or improved drive-up facilities.

As can be seen from comments made in answer to this survey, there are many questions to be answered and much analyzing of various proposals must be done before a banker can make a decision on whether to build anew, remodel or just try to get along with what he has. — Rosemary McKelvey, editor.

New BMA Chapter Officers

Larry Linder, vice president, First City Bank-Bryan, has been elected president, Texas Gulf Coast Chapter, Bank Marketing Association.

Other officers for 1982-83 are: first vice president, Lee Reynolds, vice president, Southern National, Houston; second vice president, Barbara Lang, vice president, Capital Bank, Houston; treasurer, Paul Shaw, executive vice president, First Freeport National, and secretary, Suzanne Richardson, assistant vice president, RepublicBank Houston.

SOLUTIONS



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BUNCE

Federal Tax Incentives To Encourage Rehabilitation Of Older Bank Buildings

THE CHOICE between modernizing the older bank building versus constructing a new one is not a simple one. Often the perception exists that the older bank building cannot satisfactorily be adapted to new demands, adequately expanded or simply no longer fits the image the bank now is seeking to project. The result usually is demolition or abandonment of these older structures.

This is unfortunate! Many times, these structures are one-of-a-kind buildings that have long-standing association with the specific bank. Yet many communities throughout this country have been losing these historic bank buildings and similar historic commercial structures at an alarming rate. In many instances, these phenomena may be tied directly to a federal-tax structure that historically favored new construction over rehabilitation and reuse of existing buildings. Depreciation allowances for new construction all but guaranteed a preference of new construction over saving an older building.

However, this situation recently has changed. Over the past five years, there has been a substantial nationwide increase in rehabilitation of historic commercial buildings that can be tied directly to a change in the federal-tax structure. A change that now brings depreciation schedules for rehabilitation of older commercial buildings into parity with new construction.

Since 1976, the federal Internal Revenue Code has contained an attractive variety of incentives to encourage capital investment in old and historic commercial buildings such as banks. Most recently, on August 13, 1981, the Economic Recovery Tax Act of 1981 (P.L. 97-34) — ERTA — as amended by the Tax Equity and Fiscal Responsibility Act of 1982 (H.R. 4961) was signed into law. Of particular interest to owners and lessees of historic buildings, the acts provide for:

De Teel Patterson Tiller is chief of branch of project review/technical assistance, National Park Service, U. S. Department of the Interior, and is stationed in the Rocky Mountain regional office in Denver.

By de Teel Patterson Tiller

1. A 25% investment tax credit for rehabilitation of historic commercial, industrial and rental residential buildings such as banks, and this can be combined with
2. A 15-year cost-recovery period for the adjusted basis of the historic building.

For More Information

Bankers facing the decision of whether to build new structures or rehabilitate older bank buildings and who are interested in more information on the program described in this article may write to: National Park Service, Branch of Project Review/Technical Assistance, Cultural Resource Division, Rocky Mountain Regional Office, 655 Parfet St., P.O. Box 25287, Denver, CO 80225.

How It Works. Section 212 of ERTA (IRC Sec. 46 & 48) permits an owner or lessee with a lease term of 15 years or greater to elect a 25% investment tax credit on qualified rehabilitation expenditures incurred after December 31, 1981. Further, the two acts permit owners or lessees to claim 87.5% of those same costs for purposes of figuring their cost-recovery allowances. The historic structure must be "substantially rehabilitated." This means rehabilitation must exceed the greater of \$5,000 or adjusted basis of the building (actual cost minus any depreciation already taken). Further, the monetary test to qualify for the tax credit must be met within a 24-month period or, for phased projects where architectural plans and specifications are completed before rehabilitation work begins, over a 60-month period.

The Internal Revenue Code (Section 205(b)) stipulates that a taxpayer is limited to the amount of investment tax credit for any taxable year after 1981 to \$25,000 plus 84% of the tax liability in excess of \$25,000. Unused

credits for a taxable year may be carried back three years and then carried forward 15 years.

Hypothetical Case Study. Assume that Main Street National Bank property has an adjusted basis of \$100,000. If \$100,000 were expended in rehabilitation costs, then using the investment tax credit provided for in the Economic Recovery Tax Act of 1981 as amended:

Adjusted Basis	\$100,000
Rehabilitation Expenditures	\$100,000
Credit Allowed: (25% × \$100,000)	\$ 25,000
First-Year Depreciation: (\$200,000-\$12,500)/15-yr ACRS	\$ 12,500

If, for illustrative purposes, the organization was in the 50% tax bracket, then first-year savings would be \$31,250:

(\$25,000 + (50% × \$12,500))	\$ 31,250
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Who May Qualify. Investment tax credits are available to any bank or similar commercial-rehabilitation project that is a certified rehabilitation of a certified historic structure. A certified historic structure is any building defined by the Internal Revenue Code that is:

1. Generally 50 years or older and listed individually* in the National Register of Historic Places (a program administered by the National Park Service) or,
2. Located in a registered historic district and certified as being of historic significance to the district.

A certified rehabilitation is: work performed on a certified historic structure consistent with the historic character of the property or the district in which the property is located.

How to Qualify. Qualifying for tax

* Provisions are made in Interior regulations for a speedy determination of which buildings will qualify as "certified historic structures" prior to actual listing on the National Register of Historic Places.

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credits involves three actors; the owner and the two federal agencies that jointly administer the program — the Internal Revenue Service and the National Park Service. The owner submits an application describing the proposed rehabilitation to the appropriate regional office of the National Park Service, where it is reviewed against departmental criteria called the Secretary of the Interior's "Standards for Rehabilitation." If the work is approved, the Internal Revenue Service is notified in preparation for the owner's claim of tax credits. It is important to note that in most circumstances tax credits can be claimed only after rehabilitation work is completed and the building is put in service.

Three important points are worth remembering regarding National Park Service approval of rehabilitation work. 1. It is desirable to submit all proposed rehabilitation work *before* actual construction begins. 2. Not all rehabilitation work may qualify for a tax credit. In fact, some work may jeopardize all the work, thereby preventing the owner from claiming a tax credit. This fact emphasizes point No. 1, which encourages submission of all proposed work to the Park Service prior to construction. 3. The program does not require restoration of the building, but only rehabilitation. That is, preserve what has survived and has significance and integrate it into the building's new use. ●●

MASI Signs Agreement With Bank in Holland

MABSCO Agricultural Services, Inc. (MASI), headquartered in Des Moines, Ia., has signed a three-year agreement with Rabobank Nederland, which will provide for Rabobank Nederland to buy agricultural-loan participations from MASI-affiliated banks.

Rabobank is a cooperative-banking organization in Holland and is the second-largest importer of U. S. agricultural commodities. It is made up of 978 local banks with more than 3,000 offices and a central bank, Rabobank Nederland. It has attracted 40% of total savings deposits in the Dutch market, where it extends 90% of credit requirements of the Dutch agricultural sector, says a MASI spokesperson.

MASI is a subsidiary of MABSCO Bankers Services, Inc., which is owned by 13 state bankers associations representing 6,700 banks. The associations are located in Arkansas, Illinois, Kansas, Missouri, Oklahoma, Colorado, Iowa, Michigan, Minnesota, Nebraska, North and South Dakota and Wisconsin.

Hugo Steensma, general manager/U. S. and Canada for Rabobank, emphasizes the bank's interest in this program and its desire to work with MASI in providing a new and dependable source of funds, at affordable rates, for the agricultural sector of the Midwest. These funds will supplement the originating banks' own deposit bases, enabling banks to position themselves in the changing market.

State Closes Tennessee Bank Because of Capital Deficit

Tennessee's Commissioner of Banks Thomas C. Mottern took action to close Hohenwald Bank last month and the FDIC began paying off depositors.

The bank's capital deficiency was caused by five bad checks totaling \$3.8 million deposited by Callanwolde Co., Atlanta. By the time the checks were returned for lack of funds, Callanwolde had withdrawn more than \$3 million from its Tennessee account, leaving Hohenwald Bank with a capital deficit of \$1.4 million, according to Commissioner Mottern.

The FDIC said it closed the bank because an "undetermined but potentially large volume of contingent liabilities" made it impractical to arrange for another bank to assume its deposits. It was estimated that all but \$500,000 of the bank's \$27 million in deposits are covered by insurance or otherwise secured.

Temporary Facility — a Stopgap That Often Becomes Permanent

TEMPORARY bank buildings are an important stopgap when a banker can't decide whether to build or remodel, John Karr, MPA Systems, El Paso, Tex., points out.

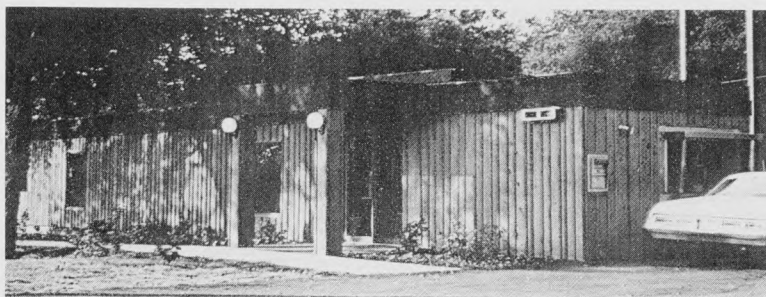
However, even though such units are called "temporary," they often remain on their sites for years, and they even have been known to withstand hurricane-like winds.

Bank of New Orleans purchased two mobile-banking facilities from MPA Systems in 1974, ostensibly as "temporary" units. However, in 1979, Mr. Karr received a letter from an officer of BNO, saying that, because of economic circumstances and the fact that the buildings had held up well, the bank had not replaced them. The letter also said the bank had had no real problems with these facilities and, at that time, was in the process of re-staining the exteriors. The BNO officer said he believed the units could last another five years and added that they had served the bank well in spite of New Orleans'

great humidity, hot sun and rain.

A unit being used by First National, San Benito, Tex., survived winds that reached 110 knots, President Robert B. Dunkin wrote Mr. Karr August 15, 1980. Five days earlier, the eye of Hurricane Allen passed within 15 miles of the facility's location. In preparation for the worst, the bank evacuated the building, but the only damage sustained was some leakage from the wind-driven rain around the teller window. Rain also soaked the back door, causing the veneer to peel. Other than that, said Mr. Dunkin, no other damage was sustained even though the building was located in the middle of a field with no protection whatever from the winds.

Mr. Karr points out that his firm offers six basic units, and he believes any one of them, or a combination of them, can fill any need for temporary facilities. They range from an "instant" motor bank to a main-office facility and a major facility. ●●



This is example of temporary facilities provided by MPA Systems, El Paso, Tex. It includes drive-up window and night depository (r.).



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"Other bankers couldn't believe how much we got for the price."

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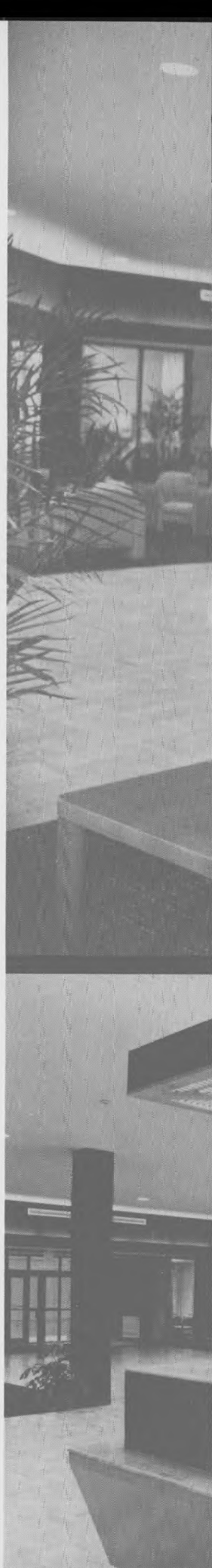
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Henry Kinberger, president of Security 1st National Bank, is shown here in the lobby of their beautiful new facility planned, designed, and built by HBE.





Huron Valley Nat'l, Ann Arbor, Mich., shares drive-up site with busy gas station. Bank's drive-up "wing" is at l.; control office occupies former lube-bay portion of building. Traffic enters drive-

up from rear. Installation saved bank about \$500,000 over alternative site.

Ingenuity Comes to Rescue To Solve Drive-Up Problems

INGENUITY is a prime factor when it comes to establishing banking quarters, and sometimes it seems that drive-ups take even more of that quality than other bank-building projects.

One of the best things about ingenuity is that it usually saves money. That was the result of the innovative ideas pressed into service by three banks that recently established drive-up facilities in unlikely locations.

Huron Valley National, Ann Arbor, Mich., wanted to establish a new drive-up in Plymouth. It had property and had estimates of spending as much as \$750,000 to develop it. Ingenuity said there must be a better way.

And that better way was something of a shocking idea at first — establish the drive-up in an unused portion of a busy self-service gasoline station! Converting an abandoned gas station into a bank was nothing new, but sharing the

same building with a busy station took a little getting used to!

"We simply liked the location," said Jay J. DeLay, bank president. "It was a high-traffic area quite close to student housing and University of Michigan students are an important component of our clientele. So when we saw the garage had two unused lube bays, we investigated."

That's when cost comparisons were made for building from scratch on the previously mentioned property and converting the gas station. The cost of developing the vacant property the bank already owned seemed too high.

"We didn't want a monument," Mr. DeLay said. "We wanted a good branch at a good location that is more cost efficient than a new building would have been. We found a solution at the gas station site and so did the garage owners, who had the vacant

space. We offered them \$750 a month to lease it, and we are both satisfied."

The bank spent \$200,000 to open the branch. "If we amortize that into monthly payments, add the monthly lease and salary costs and then check that against total deposits, we have to be pleased," Mr. DeLay said. "We were ahead of projections right from the start, and today this is a \$2.5-million office."

Huron Valley National added a wing to the portion of the gas station it leased that includes four drive-up lanes in a line-of-site configuration. The teller station occupies the former lube-bay space. Bank traffic blends with gas station traffic effortlessly, due to the large paved area on the property. Drive-up customers approach the facility from the rear of the building and exit to the front.

Primarily a motor bank, the Ply-



LEFT: Bank One's futuristic drive-up in Columbus, O., features overhead pneumatic-tube configuration that enabled bank to avoid costly installation of underground system in area with high water table. **RIGHT:** Troy (N.Y.) Savings Bank eliminated traffic



snarls, made better use of limited parking, by installing compact drive-up facility in portion of parking lot. Remote facility is operated by tellers in bank building across street.



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mouth Branch services about 6,500 cars a month, using a LeFebure Tel-Air system with overhead delivery. Planners knew it wasn't feasible to bury the delivery system on leased property. Pneumatic tubes were placed below brick planters and concealed in columns that support the drive-up canopy.

Underground water posed a problem that called for ingenuity on the part of management of Bank One, Columbus, O., when it planned a full-service office that would include a drive-up. The result of the ingenuity gave a futuristic appearance to the drive-up.

The new office replaced a limited-service facility at the site that consisted only of a 24-hour ATM and an early model remote drive-up unit.

Rapid growth of the area, both commercially and residentially, prompted the construction of a full-service branch. The office features a customer-information center and a desk area complemented by a teller counter with up to five stations. Also part of the facility are a 24-hour ATM and a four-lane drive-up.

The problem arose with the drive-up situation, according to George

Busche, facilities officer for Banc One Corp., HC that owns the bank.

"Preliminary soil checks showed water, sand and other conditions that would preclude burying the pneumatic tubes needed for a remote drive-up system, so an overhead installation was determined the best solution," Mr. Busche said. Costs were shaved by utilizing a Diebold VAT 7 drive-up system, units of which could be — and were — installed on narrow two-foot, four-inch islands. This reduced the amount of land required for each lane and cut down on the size of the canopy. Mr. Busche said a total of six feet of space was saved.

The drive-up is doing a job for the bank. "We are running about 10,000 transactions a month through four drive-in lanes, and this is an average of about 500 a day," said Mr. Busche. "This provides a noticeable reduction in the workload of our tellers inside the lobby, and at the same time two tellers are able to service a continually increasing number of drive-up customers through a four-lane system."

What about the futuristic touch? It's supplied by the gracefully curved pneumatic tubes that rise from the VAT 7 kiosks to the ceiling of the drive-

up canopy!

Ingenuity enabled the bank to bypass a tricky underground installation, thus saving the bank a bundle in construction and maintenance costs.

Ingenuity was called for on the part of planners asked to eliminate a congestion problem at Troy (N.Y.) Savings Bank.

For some time, auto flow in and out of the bank's parking lot had fouled up the heavy traffic on the city's one-way street system. At rush hour, police were needed just to handle bank-patron parking. Pressure was on from all sides to resolve the situation, but it took ingenuity to come up with the best way to do it.

"A variety of alternatives was considered," said Raymond A. Osterhout, assistant vice president, "most of them including the destruction of parts or all of the old bank building and the erection of a new, more efficient structure. These all were rejected, however, because the building is a historic landmark."

The only feasible action was to put drive-up kiosks in the parking lot. "By using a TV-oriented system, we determined we could install two active lanes and a third for future use and lose only seven parking spaces," Mr. Osterhout explained. Knowing that it normally took a bank customer 30 minutes to park, walk to the bank, complete his transaction, walk back to the car and drive away, it was computed that the seven spaces handled 14 cars per hour. With the drive-up, the volume at peak times runs 40 transactions per hour, which actually triples the capacity of the seven parking spaces. "At the same time, the system has provided new customer convenience and relieved parking-lot congestion," Mr. Osterhout said.

The drive-up system is compact and the bank benefits, spacewise, because the control station is located in the main bank building, across the street from the drive-up. The bank selected LeFebure's Tel Air TV-equipped system for the drive-up.

Everybody in Troy is pleased with the solution that ingenuity brought to the bank's formerly traffic-snarled operation! — **Jim Fabian, senior editor.**

Frost Bank, San Antonio, has elected Will Hausser assistant vice president/trust oil and gas and Jeanie Rabke assistant vice president/trust investments. Mr. Hausser, formerly automation officer, joined the bank in 1977. Ms. Rabke, who was a trust officer, went to the bank in July, 1981.

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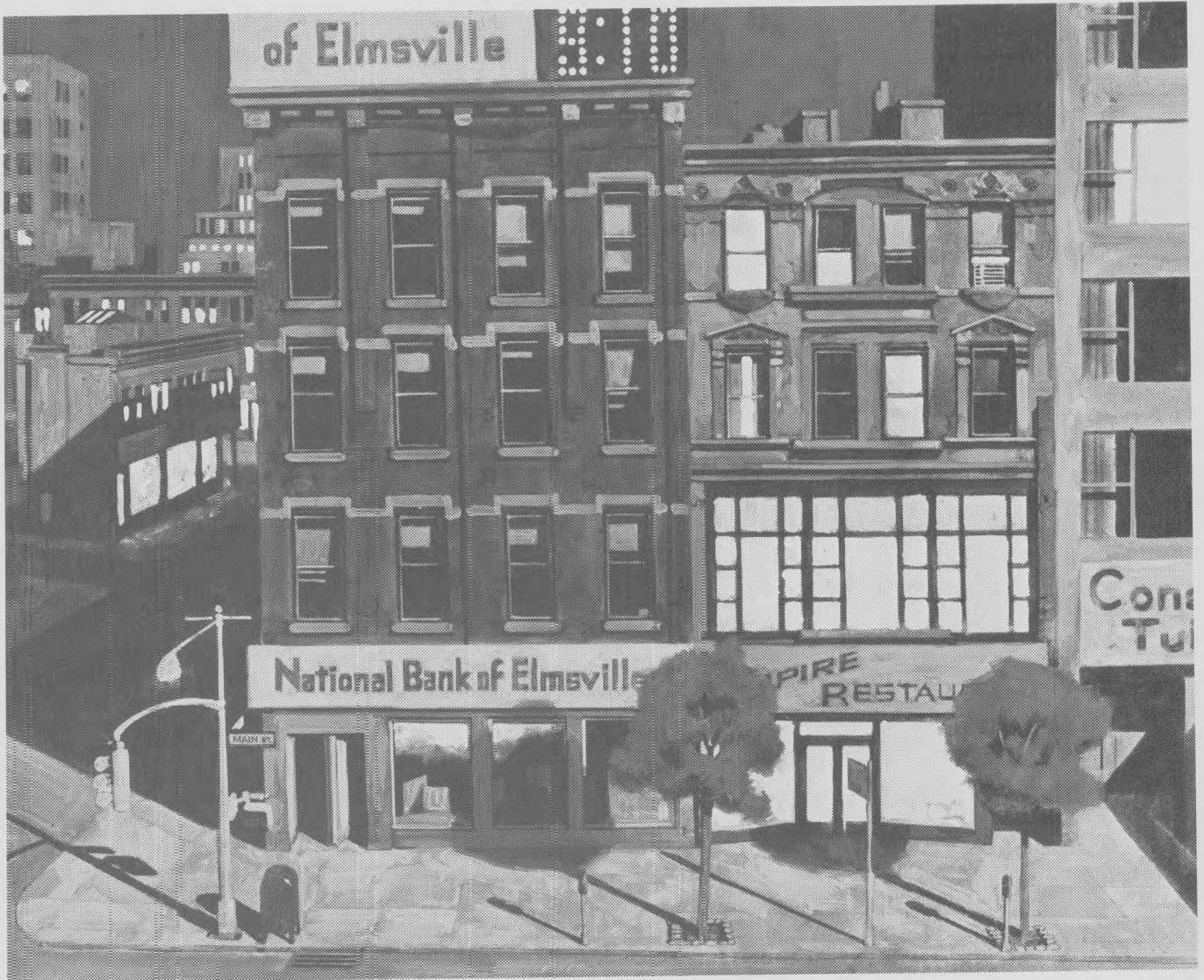


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Bankers Report on ATM Usage, Results; Evenly Split on Deposit-Growth Effect

AS OF LAST May, an estimated 30,800 automatic teller machines (ATMs) were in service in U. S. financial institutions, a hefty increase over the less than 2,000 said to be in service just eight years earlier.

To give an idea of how often these ATMs are used, recent estimates state that 184.8 million transactions are made on ATMs monthly, which has been broken down to represent approximately 6,000 transactions per machine per month — not counting balance inquiries.

A recent Unidex Corp. report states that 60% of the nation's financial institutions have ATMs on their premises. The report terms this a "burgeoning investment in ATMs."

In an attempt to glean information about ATMs being used by banks in the Mid-Continent area, more than 500 banks in all 13 states served by this publication were surveyed about their concepts of ATMs and their customers' use of the machines. A 20% response resulted.

Survey questions covered a broad spectrum of ATM areas.

Almost half the respondents indicated they agreed with the statement that ATMs are popular because they reduce transaction costs, although some said this was a hope rather than a reality. Twenty-six percent responded in the negative and 24% were undecided.

Of the 48% stating that ATMs reduce transaction costs, 71% said the greatest cost reduction occurred in the personnel area, while 37% saw cost-reduction realities or possibilities in the area of transaction expense. Nine percent noted cost reductions in overhead and 4% in building costs.

Bankers were asked if they agreed with the general assumption that ATMs enable banks to operate with fewer tellers. Thirty-four percent agreed and 59% disagreed.

Of those agreeing with the statement, 9% said at least one teller position was eliminated; 28% eliminated two positions; 16% eliminated three positions and 19% eliminated from between five and 10 positions.

Savings to the banks represented by these teller-position eliminations involved from less than \$5,000 to more than \$25,000 annually, bankers reported. More banks reported savings between \$15,000-\$20,000 than any other category.

Bankers were asked to list the services their ATMs offered, according to their popularity with customers. Withdrawals won hands down, with 94% of responding bankers stating this was the most popular ATM service.

An attempt was made to come up with a general profile of ATM customers: Respondents reported the major-

Cover Photo

An increasing number of banks are installing drive-up automatic teller machines (ATMs), such as Diebold® TABS 9000 system shown here in use at Iowa-Des Moines Nat'l.

ity are between ages 30-65; are white-collar workers; are working people rather than retirees; and are male.

Fifty-five percent of responding bankers said their ATMs are linked to networks, and they listed 25 networks. Most-often-mentioned were Service Card Systems and Arkansas Cash Network.

Of the banks stating their ATMs were not in a network, 40% indicated they soon would be, while 18% said "no" and 34% registered "undecided."

Sixty-one percent of responding bankers said they thought their ATMs gave the bank a competitive edge. Of that figure, 30% said the competitive edge would remain until competitors came up with ATM systems that equalled theirs. Other bankers said their competitive edge would last for from one to 10 years.

Bankers were asked to rate the reliability of their ATMs. Sixty-four percent selected the "very reliable" response, 31% checked "average" and only 3% indicated they weren't pleased with the reliability of their ATMs.

Sixty-six percent of responding

bankers reported that their banks own between one and five ATMs; 21% own between six and 10; and 5% have purchased between 11 and 15 units. Only one banker said his bank leased the machines.

The greatest number of ATM purchases made by responding banks occurred last year (30%); 18% made their purchases in 1979 and another 18% have purchased ATMs so far this year. Earliest reported purchase year was 1971.

Sixty-four percent of the ATMs operated by responding financial institutions were manufactured by Diebold, and 18% by IBM. Other manufacturers represented in responses: Docutel (6%), NCR (3%); and Burroughs and TRW tied at 2% each.

Some adjustment in these figures was recorded in response to the question: "If you were to re-order ATMs today, which vendor would get the order?" Diebold led with 60%, again followed by IBM (17%), Docutel (6%), NCR (4%) and TRW (2%). Nine percent checked "undecided."

Few banks have installed drive-up ATMs; 71% reported they have no drive-up models. Only about 50 drive-up ATMs have been purchased by reporting banks, and only 14% said they expected to order drive-up models in the next 12 months, with another 14% undecided.

Bankers were asked if their institutions had conducted ATM marketing surveys of customers in the past year. Sixteen percent reported in the affirmative. Purposes of the surveys varied, but most surveys were geared to learn why cardholders didn't use their cards more often than they do. Other survey focuses: to determine sites for new ATMs, to promote card usage, to sell overall bank services, to check the public's knowledge about ATMs, to determine interest in an ATM network, to determine downtown problems and to assess customers' attitudes about ATMs.

Survey recipients also were asked if their banks had conducted ATM marketing promotions in the past year. Forty-eight percent said they had, and

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the vast majority focused on increasing card usage. Other promotions were aimed at informing customers about new ATMs, telling them about new services available on the machines, promoting a state-wide ATM network and offering demonstrations of how ATMs work.

Bankers were asked why their banks offered ATM service to customers. Tied for first place in responses were cost savings and service improvements. Close behind were to gain a competitive edge and to offer customer convenience. Also mentioned: to promote a progressive image for the bank, to extend banking hours without human tellers, to protect customer base, to extend the bank's service area, to reduce lobby hours and to meet competition from other financial institutions.

The final question was "What effect has ATM service had on your bank's deposit growth?" Three response choices were offered: "positive," "neutral" and "negative." The first two categories were tied with 48% each. The "negative" reply was not selected by any respondent.

Some respondents indicated that, although their estimate of ATM effect on deposit growth was "positive," they would have preferred a category somewhat less enthusiastic! Some of those

selecting "neutral" indicated they had expected more deposit growth from ATM service.

Responses were tallied from all 13

MID-CONTINENT BANKER states, but the greatest response came from banks in Illinois, Arkansas and Kansas. — Jim Fabian, senior editor.

ATM, Night Depository Paired At Shopping-Mall Drive-Up

ONE OF the newer drive-up innovations is positioning an ATM and a night depository side by side.

Merchants National, Aurora, Ill., is said to have been one of the first banks in the Midwest to include these two units at a drive-up facility. Customer access to either unit is by plastic card. The use of an access card for a night depository enables the bank to provide customers with printed receipts for deposits, says David A. Caldwell, marketing officer at Merchants National.

Night depositories equipped for card access have been on the market for about two years, says Rod Saunders, marketing communications manager at Diebold, Inc., but such depositories have not been in general use in drive-ups until recently.

Merchants National opened its new



New drive-up for Merchant's Nat'l, Aurora, Ill., features side-by-side ATM and night depository, both accessed by plastic card.

drive-up in the northeast portion of Aurora to access a growth area of the city where the bank has no brick-and-mortar branch, Mr. Caldwell says. The facility is adjacent to a shopping mall and the ATM is used by customers and the depository by retailers.

The drive-up was opened early in June. A member of the Chicago Bears football squad was on hand to sign autographs and refreshments and access card applications were freely distributed. More than 1,000 demonstrations were staged on the ATM in two days.

The opening was publicized in newspapers, on radio and by direct mail that was sent to residents residing in the northeastern sector of Aurora. Live remote radio broadcasts were made from the site during the opening celebration.

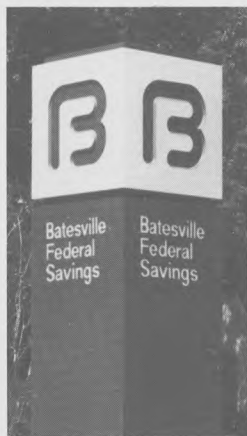
The new ATM is averaging between 32,000 and 35,000 transactions per month, which makes it the most used of the bank's four ATMs, Mr. Caldwell says.

The drive-up consists of a six-sided structure that houses the two machines. The structure was designed by the bank's ATM coordinator. A security firm representative accompanies bank personnel when the drive-up is serviced. ●●



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Attractive Bank Branch Results From Conversion Of 75-Year-Old House

AT FIRST GLANCE, the Thibodaux Branch of Raceland (La.) Bank appears to be a fine old home, with its large, columned veranda, second-floor recessed balcony, gables and corner turret. In fact, it originally was a home, built around 1907 in the Queen Anne style of architecture, which was part of the Victorian era.

However, in 1981, the structure was converted into banking facilities, complete with drive-up lanes and night depository.

When Raceland Bank's directors decided to open a branch in Thibodaux, they kept many things in mind before selecting a site, says the bank's president, A. J. Champagne. For example, Thibodaux, organized in the early 1800s and incorporated in 1830, is a city rich in culture and tradition. It is the seat of Lafourche Parish (county), and the courthouse, built in 1818, still is in use. Mr. Champagne points out that the Thibodaux Fire Department is the oldest volunteer fire department in the state — it was formed in 1858. Several plantation homes in the area date back to the 1800s, and other

houses, built at around the same time, are occupied and are as beautiful as when they were new.

Raceland Bank itself, according to its president, is the oldest bank, not only in Lafourche Parish, but in a multi-parish area, having been in operation since August 4, 1904.

With this background in mind, the directors began their search for a Thibodaux branch site. They found it on Louisiana Highway One, located next to both the residential and business district of Thibodaux. And on the site was a house that had been built for a cooper (barrel maker) from Ireland.

"When we saw this picturesque old house," says Mr. Champagne, "with its vivid historical background, we knew that restoring and preserving it and using it as an office of our bank would be the perfect way to show the people of Thibodaux that we not only want their business, but truly care about them and the beautiful city in which they live."

The next step was to engage the services of a New Orleans architectural firm, Ernest E. Verges & Associates, which specializes in designing financial institutions. The Verges firm had designed Raceland Bank's Main Office and many of its branches over the past 25 years.

After examining the old house and realizing it had a lot of character,

TOP: When Raceland (La.) Bank converted this 75-year-old house into its Thibodaux Branch, architects preserved its original looks.

BOTTOM: Motor bank at rear of Thibodaux Branch was designed to complement front of house, even to matching front-veranda columns.

Ernest Verges, A.I.A., immediately recommended to Mr. Champagne that the building be restored to become a banking facility. This recommendation was welcomed by the community because it meant the structure would not be razed, but rather, be restored as a landmark.

The architects decided to do as little interior demolishing as possible, and, to preserve the building's character, they designed the bank counters to blend in with the interior. The old oak floors were sanded and stained, and the new counters were made of red oak and stained to match the floor.

Interior walls were painted pastel colors, and furnishings selected maintained the traditional treatment. All lighting is incandescent except for special fluorescent fixtures that were placed over teller counters.

The biggest design problem, says Mr. Verges, was construction of the vault and motor-banking facility. The vault had to be constructed outside the original walls and then covered with weather boards to match the rest of the exterior. The motor bank was placed at the rear of the building so that it would not detract from the house's character. The architects designed a canopy with columns to match those on the front porch and extended the gabled roof to match the existing roof.

All banking facilities are on the first floor, and the second floor is reserved for future use as the branch grows. The property had some beautiful oak and maple trees, which were retained. Additional landscaping was done to complement the house and its surroundings, and floodlights were placed around the base of the trees to make an interesting picture at night.

Construction time was approximately six months, and the general contractor and most of the subcontractors were from the community.

"Raceland Bank is fortunate to have this site as a 10th branch," says Mr. Champagne, "and we are proud of the fact that we were able to convert this beautiful home into a functional bank while maintaining its original architectural structure and its beautiful grounds." ● ●

MID-CONTINENT BANKER for October, 1982





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On the Cover

Making a bold statement for banking on the Gulf Coast is the new headquarters building of Hancock Bank, Gulfport, Miss. The building is said to be the tallest structure between New Orleans and Mobile, Ala., and the tallest coastline building between Port Arthur, Tex., and Tampa, Fla.

Construction began in mid-1979 and topping-out ceremonies were held in October, 1980. The bank began moving into the building late last year and dedication and ribbon-cutting ceremonies were held earlier this year.

The banking floor is on the second level, above a shopping mall on the ground level. Among the building's many design features is an abstract outline of the Mississippi Gulf coastline from Hancock County to Jackson County. The design is carried thematically from an outside courtyard through a ground-floor lobby area.

For more details about the building, see the August, 1982, issue of MID-CONTINENT BANKER.



15-story Hancock Plaza is said to be tallest building between New Orleans and Mobile, Ala. Park-like area features pool, benches. 400-car garage adjoins building.

ury-indexed ARMs on which the amount of interest adjustment is limited, the new rate is 14.670%, down from 15.840%. The rate on ARMs with a five-year Treasury-securities index is 14.630%, down from 15.690%.

FNMA's required rate on fixed-rate conventional mortgages fell to 15%, down from 15.25%. For standard FHA/VA mortgages, the new rate is 15.250%, down from 15.500%, and for FHA/VA graduated-payment mortgages, the new rate is 15.750%, down from 16%.

All FNMA yields are quoted on a gross basis, including the $\frac{3}{8}$ % servicing fee paid to lenders.

According to Mr. Maxwell, the decline in rates will result in lower interest or total monthly payments for current home owners who have adjustable-rate mortgages due for rate or payment change. In addition, it will benefit potential new-home buyers.

Basic Credit Skills Taught in New Book Available to Bankers

"Banker's Guide to Financial Statements," Second Edition by Thomas J. O'Malia. ISBN 0-87267-034-8, hardcover, 348 pages, 1982, \$42. Bankers Publishing Co., 210 South St., Boston, MA 02111.

This introduction to statement analysis, a completely revised and updated edition, teaches basic credit skills that every successful lender should possess. Like the first edition, it is written specifically for bankers who have no previous accounting or credit training.

The book emphasizes analyzing statements in the context of a loan request. With this guideline, the loan officer or branch manager can focus on the practical problem of determining a person's ability to repay the loan.

Complete financial statements are reproduced and used to demonstrate analysis concepts and mechanics. Fifteen exercises and numerous other examples of realistic client situations provide opportunity to practice such essential credit skills as calculating ratios, spreading statements and making common-base comparisons.

The book also discusses various types of loans and different types of businesses and contains samples of statements, spread sheets, accountants' letters and tax forms.

Author O'Malia has expertise as a commercial lending officer, public accountant, corporate treasurer and course instructor.

FNMA Announces Decreases In Mortgage Interest Rates

WASHINGTON, D. C. — The Federal National Mortgage Association (FNMA) (Fannie Mae) — the nation's largest single source of mortgage money — announced decreases in its mortgage rates ranging from $\frac{1}{4}$ % for fixed-rate loans to 1.6% for some adjustable-rate mortgages (ARMs) late in August.

FNMA Chairman David O. Maxwell said the rate declines resulted from recent sharp declines in money-

market rates, especially short-term rates. Thus, he noted, rate declines were greatest for adjustable-rate loans, on which interest rates are directly indexed to yields on Treasury securities.

For ARMs indexed to the six-month T-bill, the new rate is 12.988%, down from the previous 13.821%. The rate on ARMs tied to the one-year Treasury index declined to 12.930% from 14.530%. For three-year Treasury-indexed ARMs on which the amount of payment increases is capped, the new rate is 14.370%, down from the previous 15.540%. For three-year Treas-

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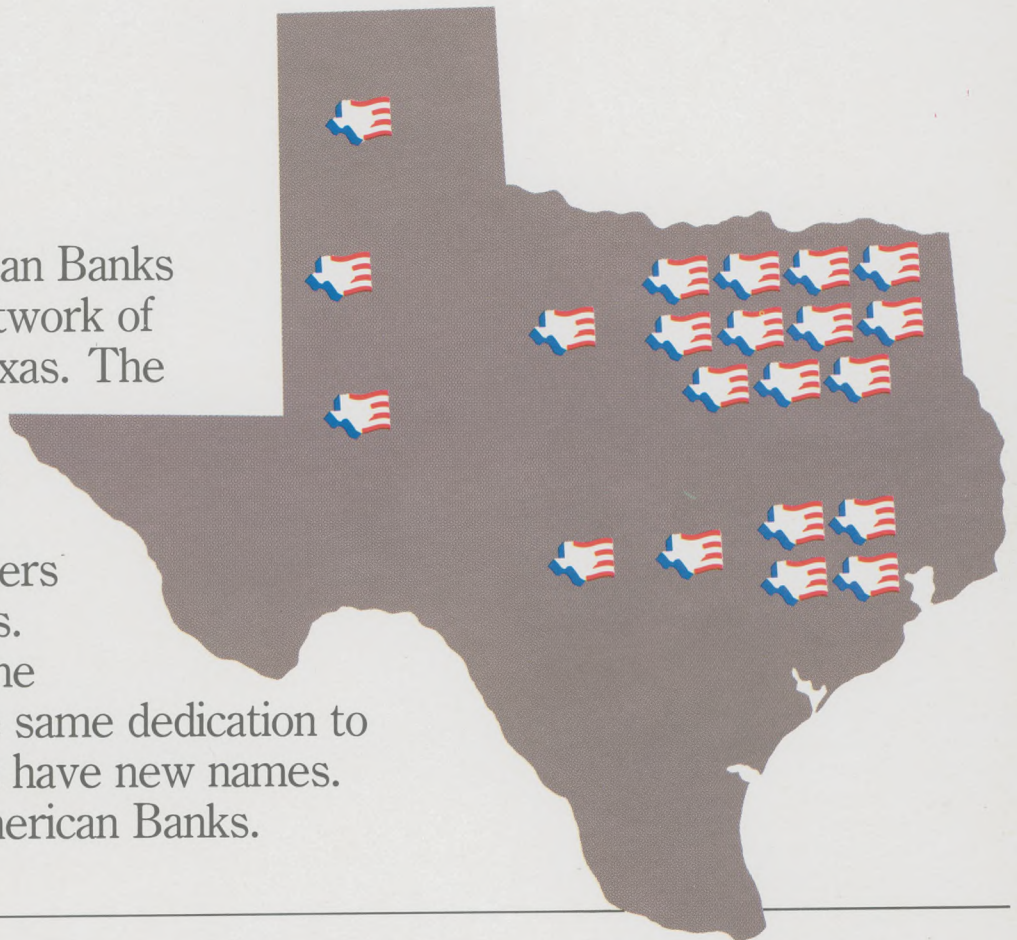
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Supplier Says Recession Is Good Time To Begin Apparel Program for Employees

An interview with Gerald C. Struven, president, G. Carlyle Struven, Inc., Chicago, career-apparel manufacturer.

* * *

MCB: What's the status of the career-apparel industry today?

Mr. Struven: The recession has caused many career-apparel firms to go out of business. In most cases, the big conglomerates with career-apparel divisions have dropped out.

However, the firms that still are in the business are strong and are in a position to do a good job for financial institutions.

Back in April, 1980, I told my staff that things were going to be rough during the recession, that service was going to be the primary factor that would enable my firm — as well as other career-apparel suppliers — to survive. I told my people to persevere and continue to run hard and strong. This advice is nothing new to any firm manufacturing quality apparel. We've been running harder and stronger for a long time. We've known for many years that quality and service are the most essential ingredients for success. They always have been and always will be.

MCB: What incentive is there for a financial institution to start a career-apparel program — or rejuvenate an existing program — at this time?

Mr. Struven: This recessionary period is the best time for financial institutions to get into career apparel! The recession makes it terribly difficult for employees to buy the appropriate business clothing necessary to uphold the image of banking. The typical bank employee just can't afford to go out and buy clothing of career-apparel quality; retail prices are out of sight! The recession makes it imperative that financial institutions protect their images by outfitting their personnel — at least those



who have customer-contact duties. A strong bank wants to portray a professional image to its customers. Career apparel helps to provide that image.

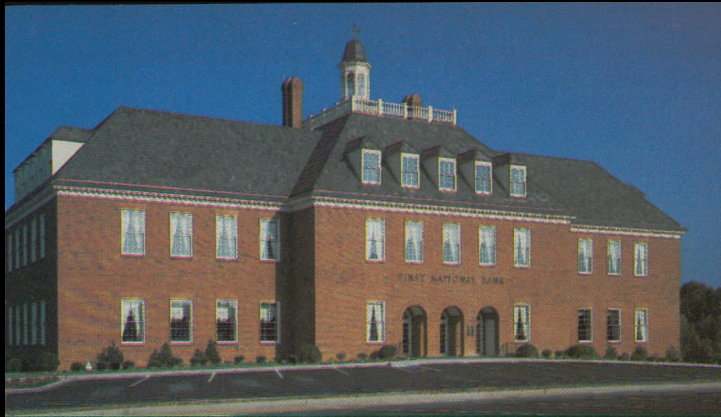
MCB: What risks face financial institutions that discontinue career-apparel programs due to the economic — or some other — situation?

Mr. Struven: Discontinuing any benefit is essentially a pay cut and has to be detrimental to employee morale. Institutions that have canceled apparel programs or put them on hold for the duration are eliminating an important employee benefit that is valued by personnel. Banks that have had apparel programs for any length of time find that their employees have not kept their working wardrobes up to date because they depend on their employer to supply their work wardrobes. If employees had to go out and purchase complete wardrobes for work they would need bank loans! All most employees have in their closets are sports clothes — garments that do not lend themselves to professional appearance.

Also, banks discontinuing apparel programs run the risk that customers won't know who is or isn't an employee. This causes delays in locating employees, or mistaking other customers for employees, which can be embarrassing.

Another risk no banker wants to run: Employees who are deprived of career apparel are likely to gripe about it over the counter to cus-





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tomers. This type of situation certainly doesn't benefit a bank!

MCB: What type of service should a financial institution expect from a career-apparel supplier?

Mr. Struven: The best personalized service! For instance: Our salesmen don't wear tape measures around their necks and our customer-service people who do our fitting don't carry sales contracts! Salespeople shouldn't be involved in taking measurements; professional fitters should do that! It's not logical to expect a salesperson working on commission to spend time performing outfitting chores. It's the nature of a good salesperson to get out and sell, to move forward. Details are handled best by others specially trained to handle such things as measuring and fitting. Proper division of duties is important to our type of business.

Another service we supply is know-how. We know how to promote the concept of career apparel at financial institutions. We know how to get employees enthused over an apparel program. We know the type of employee likely to disapprove of such a program, and they're the type of employee who is least likely to be a banking professional; they're the type of employee who keeps turnover rates high.

Professional bank employees appreciate the need for the quality image supplied by career apparel. They are the people who appreciate apparel as a fringe benefit — and they're the type of person who stays on the job

through the years.

MCB: What do you say to the banker who considers the cost of apparel to be prohibitive?

Mr. Struven: A career-apparel program on an amortized basis costs about five cents per hour per employee, which is mighty little for the material and psychological benefits it delivers. When one considers this modest cost, the gains in employee satisfaction are tremendous. These gains include such small things as relief from dress competition — something that is more significant to employees than most managers realize — when employees can't afford to keep up their wardrobes as they would like. These gains include big things, too, such as the professional feeling that career apparel creates, a feeling that actually improves employee attitude and performance.

MCB: What's your policy about outfitting difficult-to-fit employees?

Mr. Struven: We fit all sizes. We don't tell banks with oversize or undersize personnel that we'll send out some material and they can have their garments made locally. That's embarrassing to employees, but it's the practice of some apparel suppliers. We don't charge extra for hard-to-fit sizes, either.

MCB: You mentioned earlier that many apparel suppliers have gone out of business. How has your firm fared during the recession?

Mr. Struven: Over the last two years, we've experienced a 36% growth in volume — and our projections for the

next 12 months are strong.

MCB: What materials are most popular now for career apparel?

Mr. Struven: Texturized wovens and some poly-wool blends are most popular. Texturized wovens are popular because they're washable and easy to care for. Poly-wool blends are popular because many people consider wool to be smart looking — even though the garments must be dry cleaned. Poly cotton is popular for blouses.

MCB: What colors are most popular now?

Mr. Struven: It's amazing — almost everyone wants navy blue! Even if a competitor nearby has navy outfits, many customers want navy! Accent colors vary: camel, gray and light blue are popular now.

MCB: Are there any noticeable fashion trends in career apparel now?

Mr. Struven: The most noticeable trend is a return to classics such as blazers, suits and skirts. Everyone seems to be dressing up more. Another trend is to make blouses more feminine. However, it's important that career apparel not be too faddish because fashion whims change almost overnight. Career apparel is designed to be worn for two years and a reputable supplier is careful to keep his fashions up to date but not so trendy that they will be out of date before the two-year period is over. Our customers appreciate this aspect of our service. That's why they tell us, "If it weren't for your firm, we wouldn't be using career apparel!" ●●

Shared ATM Network on Horizon in Midwest

A SYSTEM of shared automatic teller machines to be introduced in the Midwest will be funded initially by several major bank holding companies in St. Louis and the Kansas City area.

Present founding members are: in St. Louis, Center Bancorp. and Mercantile Bancorp.; in Kansas City (Mo.), CharterCorp (First National), and in Kansas City (Kan.), CNB Financial Corp. (Commercial National). In addition, negotiations are going on with other area HCs for participation in the joint venture.

Monetary Transfer System is the name given the joint venture that will run the network for the banks, and the identifying trademark for the system will be "BankMate." The new firm will retain Credit Systems, Inc. (CSI), based in St. Louis, the region's bank charge-card processing center, to

operate as the central switch for the shared system.

The regional ATM network, scheduled for introduction around January 1, will be available to all banks in the five-state area of Illinois, Iowa, Kansas, Missouri and western Kentucky. All ATMs in the network will be supplied and serviced by participating banks, and even banks without ATMs will be able to participate.

The network will allow ATM cardholders of each participating bank to use their cards in the ATMs of all other participating banks. In effect, bank customers will have access to their accounts 24 hours a day, seven days a week, without traveling any farther than the nearest participating bank.

Based on current projections, approximately 150 ATMs throughout the five-state area will be included in

the program when it starts up. This number is expected to increase substantially after the network is in full operation.

The minimum ATM service to be offered on a system-wide basis will include withdrawal from a customer's checking account, transfers and balance inquiries. Other banking functions, such as withdrawals from savings and making deposits, also may be offered in most of the CSI-served states, except in Missouri, where these additional services are not permitted by law. In any case, the card-holder's own bank will continue to provide full ATM-banking services as it does now, regardless of location.

Eventually, according to a CSI spokesperson, it's hoped the network will be linked with other regional systems or a national ATM network. ●●



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Small, Convenience Branches With ATMs Are Forecast

SMALL, convenience branches with automatic-teller-machine facilities are part of an increasing banking trend toward more automation in banking, forecasts Monty Westmoreland, president, National Builders & Equipment, Inc., Walls, Miss.

"We also believe," says Mr. Westmoreland, "that free-standing-ATM facilities should be big enough for future growth to handle two ATMs or an ATM and night depository. We do not recommend putting ATMs in grocery stores or hospitals because of the limited number of people they would serve. We believe key locations for small branches and free-standing-ATM facilities are in shopping-center parking lots and high-traffic areas with easy access."

This Covington Pike Branch of First Tennessee Bank, Memphis, was put together by National Bank Builders & Equipment, Inc., Walls, Miss., with totally movable manufactured bank modules on six-inch concrete slabs.



Mr. Westmoreland points to what he says is an innovative banking facility his firm built in 1981 for First Tennessee Bank, Memphis. It's called the "ABC bank." With it, he points out, "You build only what you need."

As he describes this facility, it's put together with totally movable manufactured block modules on six-inch concrete slabs. The "A" module is an ATM facility that can house two ATMs or an ATM and night depository. This module also can be put on leased land to test market an area.

The "B" module, according to Mr. Westmoreland, is a customer-service facility with one manager, who opens new checking/savings accounts, makes loans, sells CDs, balances accounts and shows people how to use ATM cards.

The "C" module, he continued, is a walk-in/drive-up banking facility.

First Tennessee's Covington Pike Branch consists of "A" and "B" modules with preplanned site work for the "C" module.

Energy conservation also is a part of this branch, which has heat pumps and a new exterior called Dryvit Outsulation. The latter consists of four major components: expanded polystyrene insulation, a cementitious acrylic-modified adhesive, a woven fiberglass reinforcing mesh and a 100% acrylic-finish coat, which, says Mr. Westmoreland, produces a pleasing aesthetic look. The 760-square-foot branch's utility bill, he adds, averages about \$210 a month.

"We really believe this is the way banking will be in the future," predicts Mr. Westmoreland.

Diebold, Inc. This Canton, O.-based firm has announced that a subsidiary of NV Philips Gloeilampenfabrieken, Eindhoven, The Netherlands, will begin marketing Diebold automatic teller machines worldwide. Under terms of a new international OEM (original-equipment-manufacturer agreement), Philips Data Systems, Apeldoorn will market and support Diebold TABS® 9000 Series ATMs in all countries and

territories outside the U. S. except Puerto Rico and Mexico, where Diebold has established marketing and support organizations. The TABS® ATMs will be marketed as part of the Philips Terminal Systems (PTS) 6000 range of financial-terminal systems. Philips also will provide the software, service and support in countries covered by the agreement.

Bank Treats Youngsters To Baseball Game

A night at Royals Stadium was provided 25 abused and neglected youths from Wyandotte House, Inc., Group Homes by Home State, Kansas City, Kan. On August 30, two bus loads of teenagers and bank employees went to the stadium to see the Royals battle the Texas Rangers.

The outing was the first in a series of three community-oriented projects of Home State's Public-Involvement Project (PIP). The latter's objective, according to Max McCallister, PIP coordinator and bank vice president, is to help make Kansas City, Kan., a better place in which to work and live.

'Robbery Exercise'

(Continued from page 8)

men from approximately 100 photos.

The entire exercise was videotaped by the local police, and the tape was replayed for bank and police personnel. During the viewing, police and bank officers pointed out both the correct and incorrect procedures performed by bank employees and by police officers who took part.

This exercise has proved to be an exceptional learning experience for all involved. Each of us learned how we personally respond to a robbery. We learned how difficult it is to get a good description of a holdup man under these circumstances. As one teller explained, "They look a whole lot bigger than they really are!"

We achieved a number of things using this educational tool:

1. Actual "feel" of a robbery was made more realistic for employees who participated.

2. The exercises sharpened what they had learned and will help them retain the information.

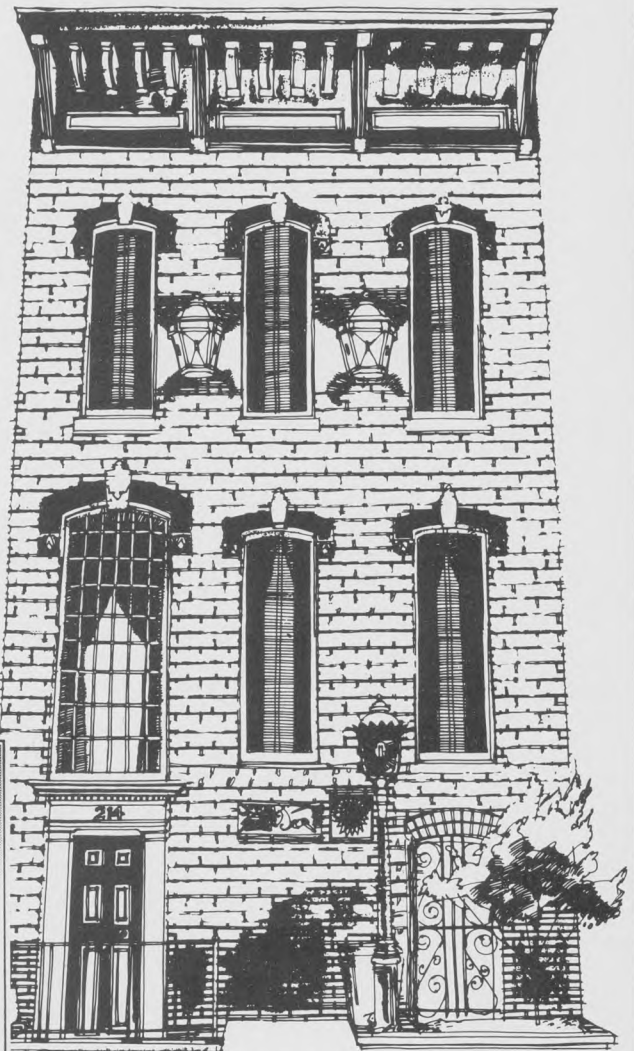
3. They learned about different kinds of weapons.

4. We accomplished the required reeducation about bank procedures through an exciting hands-on experience, instead of with memos and lectures.

If your bank can get the cooperation of your local police department, we highly recommend that this approach be given a try in your area. ●●

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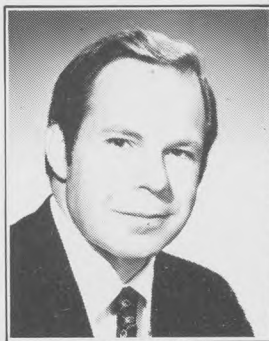


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No EDP Nightmares For Arkansas Bank With 'The Sandman'

THE FINANCIAL INDUSTRY currently is undergoing one of the most significant revolutions in its history. Advanced electronic technology, deregulation and consumer demands for state-of-the-art services are responsible for many of the dynamic changes in banking today. How will banks react to the rapid changes? One bank in Arkansas has found a solution to these changes.

First National in West Memphis is a \$35-million bank. Because of a state law that imposes a 10% ceiling on all loans, First National has had to be extremely cost conscious. During a time of volatile interest rates, making loans has certainly not been the way for Arkansas banks to improve profitability.

According to W. L. Barbour Jr., president of First National, "We decided to improve profitability by improving service." Mr. Barbour believes it is not enough anymore to just offer the standard checking and savings accounts to customers. Customers now, more than ever, expect personalized service. For First National to compete today and in the future, Mr. Barbour believes the bank must offer innovative and competitive services within its marketing and operational needs. In addition, First National's banking system must be able to react to fast-changing legal requirements. An operationally progressive and service-oriented bank, First National has found a solution to this complex age of banking in The Sandman.

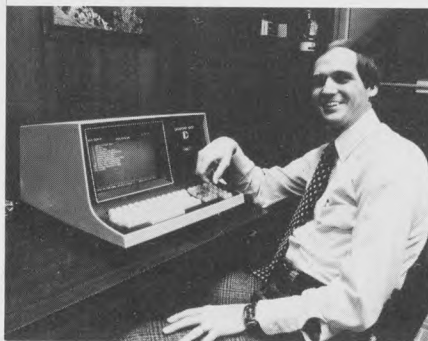
Designed and developed by Union Planters National, Memphis, The Sandman is a remote-banking system that currently includes application systems of customer-information files, demand deposits, savings, commercial and installment loans, certificates of deposit and general ledger. Unlike some remote facilities, The Sandman is more than just a data-collection station.

How does The Sandman work? Dur-

Nell M. Whitney is a technical writer/computer services, Union Planters Nat'l, Memphis.

By Nell M. Whitney

ing the day, The Sandman captures monetary and nonmonetary items and stores them on a disk. Late in the afternoon, The Sandman data are transmitted via telephone lines to Union Planters' computer center, where a control program begins executing to ensure all items transmitted are received properly. (If any problems arise, First National is contacted and data are retransmitted.) Input then is sorted



Ted Jones, v.p./mgr. of operations, First Nat'l, West Memphis, Ark., is shown at CRT that plugs his bank into The Sandman remote-banking system offered by Union Planters Nat'l, Memphis. The Sandman includes application systems of customer-information files, demand deposits, savings, commercial and installment loans, CDs and general ledger.



Cheryl Corona, proof operator at First Nat'l, West Memphis, Ark., is responsible for data transmission on The Sandman remote-banking system introduced by Union Planters Nat'l, Memphis.

programmatically for each processing application and read into the respective application systems. After processing of the various banking subsystems is completed, exception reports and customer and account information are transmitted back to First National. When employees arrive the next morning, they print exception reports, statements, past-due notices, etc., and update account balances maintained on their minicomputers.

One of the most important aspects of The Sandman remote-banking system is that it operates totally independent of Union Planters' computer center once updated data have been received at First National. The Sandman maintains customer and account files locally, making it possible for employees to add new customers and change information on any of the various accounts held by customers. The system performs data validation and error correction at the customer site. When changes are made, they are captured immediately on line at the remote site as well as stored to be transmitted to Union Planters' computer center so that host master files can be updated, too.

According to Ted Jones, vice president/manager of operations at First National, The Sandman has created many efficiencies for the bank.

First National now has faster turnaround of its data-processing items. Prior to using The Sandman, First National relied on a courier system to transport its work across state lines to be processed. While on the courier system, Mr. Jones said that the First National staff could not be certain when the work was going to arrive and, when it did arrive, if anything was missing. In addition, there was always the possibility of balancing problems and data-entry errors because the services staff probably was rushed to get the work out or could not read the handwriting.

As a result of greater automation, The Sandman has created staff efficiencies for First National. Employees now have the flexibilities of electronically handling accounting, loan administra-

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tion, teller duties and almost any other banking function through The Sandman whenever they choose. Employee productivity has been increased because of the added convenience of instant on-line access to customer and account information.

With The Sandman, First National also visualizes substantially reduced processing costs, which, of course, will improve its profitability. It is apparent, Mr. Jones said, that costs of batch processing and ground transportation have been increasing rapidly and deadlines are more difficult to meet. And even though the price of hardware

for in-house processing is decreasing and performance is improving, a stand-alone, in-house computer system still is costly from the standpoint of the additional management and support time it requires. The Sandman, Mr. Jones says, offers the best of both environments: correspondent processing and in-house processing. Unlike most remote facilities, The Sandman makes it possible for the First National staff to inquire and update customer and account files attached to a local processor rather than a processor off premise. Thus, The Sandman not only provides more reliable service, but

also eliminates expensive communications costs.

The Sandman remote-banking system does more than just solve major operational problems, such as rapidly changing regulations, increasing customer base and demand for new services. The Sandman offers a range of additional benefits as well. Mr. Jones pointed out some of the benefits achieved by The Sandman.

One unique, especially appealing benefit is that operation of the system requires no technical resources on First National's part. The Sandman is menu-driven; i.e., execution of the programs requires only the entry of a number selected from a list of banking functions that appears on a screen. The Sandman is so easy to operate that existing bank staff can operate the system comfortably on a daily basis. Thus, problems of finding qualified data-processing personnel and the need for participation in extensive and expensive technical training are alleviated.

Immediate item validation is another benefit achieved through The Sandman. The system validates items so that the staff can correct errors at time of entry. With the courier system, errors cannot be corrected until the following day.

The Sandman also provides additional security. As a result of The Sandman delivery system, physical "on-us" items never leave First National. Thus, the possibility of those items being lost or destroyed in transit and the expensive process of researching and replacing them are eliminated.

The Sandman also offers First National control over its check-clearing arrangements. Before using The Sandman system, First National, as a proof-of-deposit (POD) bank, was required to send all its items to its processor. This method, of course, does not always allow the bank to make the best clearing decision. However, with The Sandman, First National has the ability to perform its data processing with Union Planters, while, at the same time, it is able to make a totally independent decision concerning the most cost-effective way to handle the check-clearing function.

One of the most attractive aspects of The Sandman, according to Mr. Jones, is the "control and flexibility the remote banking system offers without the headaches of being totally independent." Mr. Jones pointed out that as First National's business grows and as its customer base expands, the flexibility The Sandman affords will be especially crucial.

As First National needs more computing power, Mr. Jones stated, "We

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may attach additional processors to the processor we already have. Therefore, we can increase our processing power at a substantially lower cost than if we had to replace our existing processing unit with a new computer." Furthermore, the same terminals used as inquiry or entry devices also can be used as word-processing terminals. Thus, First National has the capability for not only cost-effective operations, but also complete office automation.

Several additional capabilities now are being utilized by First National since its purchase of The Sandman. One capability First National is par-

ticularly enjoying is the multiple-inquiry devices (CRTs) that are placed at strategic and convenient locations throughout the bank. CRTs currently are placed in the loan, CD and book-keeping departments and teller locations. Because of the on-line customer-information file, employees can go to an inquiry terminal, enter a customer's name and see all the customer's account relationships appear on the screen. In addition, employees use the system to inquire on a particular account to find out the balance, last deposit amount, last deposit date, accrued interest, net payoff and other



Message of "Sweet Dreams" on CRT at First Nat'l, West Memphis, Ark., is used to emphasize that use of The Sandman remote-banking system will help bankers sleep better at night because of the absence of nightmares about item and data processing.

pertinent information. First National's staff also can produce for its customers snapshot statements anytime during the month, a service especially beneficial in building customer relations.

Through the combined processing of The Sandman remote-banking system and a major bank processor such as Union Planters, First National now has the ability to provide innovative services in a cost-effective manner. For example, special services such as safe-deposit-box accounting, individual-retirement-account processing, expanded budgeting capabilities and sweep accounts are all additional services available to First National as a result of the Union Planters research and development department. Payroll accounting also is available to First National as a fee-income-producing service for the bank. All these special services, like the application systems, would be supplied and maintained by Union Planters.

With The Sandman, First National of West Memphis enjoys the benefits of an in-house computer system without suffering the management costs, problems and headaches of having a totally stand-alone data-processing department.

Mr. Barbour summarized First National's banking relationship with Union Planters by saying, "The Sandman allows us to share the experience and expertise of Union Planters' technology. With Union Planters National as our data-processing supplier, we can be assured of a service company that understands the banking industry and its ongoing evolution." ● ●

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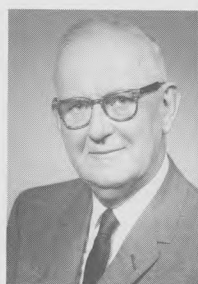
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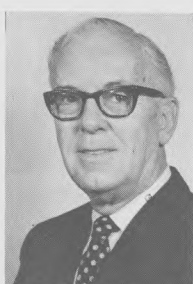
Third Member of O'Leary Family Becomes Kan. Bank Commissioner



J. A. O'LEARY JR.



J. A. O'LEARY SR.



CARL O'LEARY

WHEN John A. O'Leary Jr. recently became Kansas bank commissioner, he was carrying on what has become a family tradition. His father, John A. O'Leary Sr., served in that post from 1958-63 and again from June, 1967-December, 1968. His uncle, Carl O'Leary, was bank commissioner from 1971-75.

In his new post, Mr. O'Leary succeeds Roy P. Britton, who resigned July 6. Mr. Britton has been a banker 30 years, all that time at Citizens State,

Ellsworth, Kan. During his 3½ years in the state post, he worked part-time at the bank. He was a national bank examiner 3½ years before joining the Ellsworth bank. Mr. Britton recently underwent surgery and has recuperated to the point that he is expected to be back full time this month at the bank, where he is president.

Mr. O'Leary Jr. is president, Peoples State, Luray, Kan., and his father is chairman there. The younger Mr. O'Leary joined the bank in 1948 as vice

president and advanced to president in 1961. He is a graduate of the Prochnow School of Banking at the University of Wisconsin/Madison. He is on the Kansas Bankers Association's federal affairs committee and the Kansas state banking board, which he served as chairman one term. He is a former ABA regional vice president for Region IV.

Two of his three sons are in banking. Michael J. O'Leary is vice president/correspondent banking, Commercial National, Kansas City, Kan., and Mitchell A. O'Leary is vice president/cashier, Peoples State. The youngest son, John A. O'Leary III, is a senior in high school.

John A. O'Leary Sr. joined First National, Luray, in 1917 and became assistant cashier in 1918. When he moved up to cashier in 1919, Mr. O'Leary was the youngest cashier (he was 18) in a national bank in the U. S. He was vice president/cashier in 1934, when First National reopened as Peoples State. He became president in 1937 and chairman in 1961.

Mr. O'Leary Sr. left the bank commissioner's post in 1968 to serve two three-year terms as a director of the Kansas City Fed. He also has been Luray city treasurer from 1929 to the present.

Carl O'Leary joined the Luray bank in 1932. During 1936-37, he was an assistant national bank examiner. In 1946, he left Peoples State to go to Baxter (Kan.) State as cashier/director and advanced to president in 1966. He retired in 1980 and moved to Spokane, Wash., where he now lives and is active in the SCORE program of the Small Business Administration. He also is a graduate of the Prochnow School of Banking and returned for three postgraduate sessions. Mr. O'Leary was appointed to the state banking board in 1968 and was reappointed just a month before being named bank commissioner. He also served two terms as president, Tri-County Bankers Association. ●●



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MID-CONTINENT BANKER for October, 1982

Not Enough Hogs, Too Much Grain Pose Problems for Farmers in '83

THE NURSERY rhyme about "this little piggy went to market" was not far from the thoughts of many bankers attending the 26th annual Market Day sponsored by First Stock Yards and First National banks in St. Joseph, Mo., last month.

A major problem, as explained by a livestock expert on the afternoon panel during the program, is a lack of hogs coming to market. During the last two years, there has been a 33% decline in hog slaughterings through the St. Joseph market, a fact that has helped bring about a \$60-\$65 price for hogs at the stock yards.

"We have a good market due to fewer hogs and a good demand for pork," said Merrill D. Karr, representing John Clay-Heady Fannen Livestock Co. Part of the reason demand is so good is credited to efforts by pork producers to develop pork sandwiches for fast-food chains. Sixteen such chains plan to market pork sandwiches by the end of this year, he said, accounting for as much as 70% of all the pork shoulders slaughtered in the U. S. He predicted a price for hogs in the mid-to-upper 50s for the first quarter of 1983.

An attempt was made to gauge the prospects of an increase in hog production down the road. Bankers were asked to raise their hands if they had financed any farmers either returning to the hog market or starting out with a hog operation. Not a single hand was raised by the more than 200 bankers in attendance.



Jim Sheik (l.), pres., State Bank, Bern, Kan., ws singled out for having perfect attendance record for 26 years at Market Day. He's pictured with **Benton O'Neal, s.v.p., First Nat'l, St. Joseph.**

While the pork market is good, but lacking an adequate supply of porkers, the grain market is absolutely terrible, said Tom Kuehl, vice president/marketing, Farmaco, Kansas City. Grain prices are extremely low and there's no improvement in sight, he said, because there's just too much crop. He cited the predicted record corn crops at 8.4 billion bushels, the 2.4-billion-bushel bean harvest and the 850-900-million-bushel milo crop. "We have lots of grain, but no place to go with it," he said, which means that prices won't appreciate.

"The reason there is no place to go with the grain is that foreign buyers don't have the dollars to buy our grain," he said. Russia won't be a major



John Karn (l.), ch., First Stock Yards Bank, St. Joseph, chats with **Frank S. Hough, professor of economics, Graceland College, Lamoni, Ia.,** who spoke at afternoon session on Market Day.

He added that the real effect of cheap feed will be felt by next summer. This will force prices down to the mid-50s. He reminded his listeners that he couldn't remember when "cheap feed didn't mean cheap cattle, hog and poultry prices."



Panelists at Market Day included (from l.): Joseph L. Treu; William A. Sonner; Moderator James F. Reynolds, pres., St. Joseph Stock Yards; Merrill D. Karr and Tom Kuehl.

factor, because exports to Russia are tied up with politics, "and politicians don't know what's going on in the Midwest." Things will turn better, Mr. Kuehl said, but no one knows when.

The highest market for the year for fat cattle has been seen, said Joseph L. Treu of Swift & Henry Livestock Co. It was a 2½-year high. Production of beef cattle and hogs is up, he said, but cow slaughter is down, which means calves are "out there."

Ninety-day cattle-market placements were up in July and August, he said, and a better-than-normal feeding period will increase tonnage.

Mr. Treu predicted fat-cattle prices would be in the \$60-\$63-range this fall, but they would decline to the \$58-\$60-range during the first quarter of 1983.

Feeder-cattle numbers were up 4% in July, compared to 1980-81 figures, reported William A. Sonner, representing Missouri-Burlington Live Stock Co. Third-quarter marketings were up further — 5% above last year's figure. Cattle cycles no longer are predictable, he added, and the supply of cattle is expected to be tighter this fall, "unless the price is right." He said price trends look bullish because of the good feed supply created by the bumper grain crop. This will create a good demand for feeder cattle, but will make farmers reluctant to sell unless they consider the price to be right. He added that the heavy-feeder price will be closely tied to the fat-cattle market.

Mr. Sonner predicted that the price for yearlings will be between \$65-\$68,

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with a \$6-\$7 discount on heifers. Prices for calves will be in the mid-70s, the same price as now.

The stocker-feeder program is tailor-made for the four-state area surrounding St. Joseph, he said. It has a ready-made feed supply, a fine market and good buying strength. He added that stocker-feeder-cattle selection is improving each year.

During the question period, Mr. Kuehl was asked to make grain-price predictions for 1983. He responded that corn would drop below \$2.25, perhaps as low as \$2, depending on the storage situation. Hard red winter wheat has seen the bottom, he added, and beans will floor at the \$5 level and could move up.

The storage situation is critical, he said. Farmaco has the nation's second-largest storage capacity and "we're full right now, which means there's no room to store the fall harvest." Consideration is being given to storing grain in unused hopper cars and barges, he said. "Space is extremely tight this fall!"

But that's not all the gloom Mr. Kuehl reported. The cost of storing grain is expected to be \$10 billion, but only \$2 billion has been budgeted. He said the government will have to do



H. Kenneth Gilpin Jr. (l.), s.v.p.-operations, and Lyman L. Frick Jr., s.v.p./s.t.o., First Nat'l, St. Joseph, spoke on nonbank competition and estate planning, respectively, on Market Day.

something to stimulate exports. There's a strong probability that a barter arrangement will be struck with certain countries that would be willing to exchange their oil for our grain. He cited Mexico as an ideal barter partner for the U. S.

A pre-luncheon session featured two officers of First National, who spoke on estate planning and competition.

Lyman L. Frick Jr., senior vice president/senior trust officer, discussed changes in estate planning

brought about by the 1981 tax law. He advised bankers to keep their estate plans flexible so they can avoid all tax under the new law. He advised bankers to amend their estate plans if they predated the 1981 tax law.

H. Kenneth Gilpin Jr., senior vice president-operations, cautioned bankers not to think they are out of reach of the efforts Sears, Roebuck is making to capture their customers. He said that, even though a Sears financial center is not located anywhere near St. Joseph, people living in remote areas are being solicited by Sears and other nonbank financial firms through cable TV and direct mail. "Remember," he said, "a good number of your customers carry Sears credit cards, which means their names and addresses are on file and they will be solicited in one form or another by Sears."

He said the treasurer of one of First National's customers receives an average of eight calls a week from nonbank financial firms! — **Jim Fabian, senior editor**



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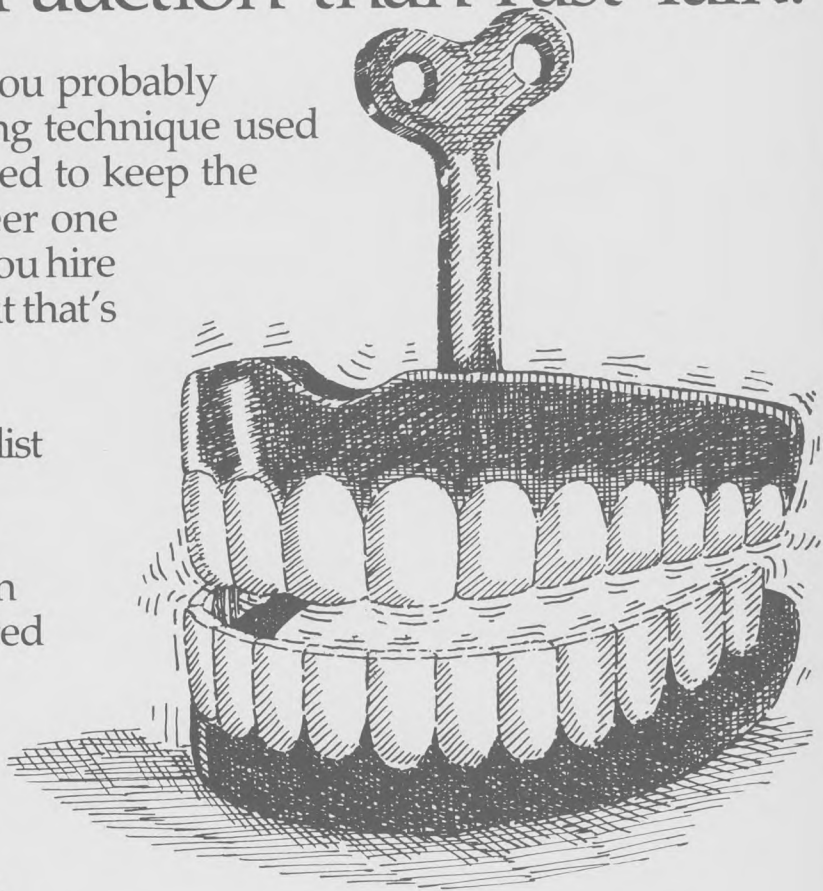
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County-Based HC Opens Bank In Downtown St. Louis



Mark Twain Bancshares, headquartered in St. Louis County, made big move when it opened its first downtown St. Louis subsidiary, Mark Twain St. Louis Bank, in August. Therefore, ribbon-cutting ceremony had large cast, including St. Louis Mayor Vincent Schoemehl (ninth from r. in dark suit). Left of mayor is Robert F. Borchert, pres. of bank. Also among those pictured are Adam Aronson, HC ch.; John Dubinsky, HC pres.; Homer Sayad, HC s.v.p., and Sanford Spitzer, bank s.v.p. Others who took part are officers, directors and management personnel from other Mark Twain banks. Dollar bills that made up ribbon were laminated, and bank's name and ribbon-cutting date were printed on one side. They were presented to those pictured as keepsake of occasion.

THE DOWNTOWN St. Louis financial scene has a new addition — Mark Twain St. Louis Bank, N. A., which opened late in August with a ribbon-cutting ceremony at which Mayor Vincent Schoemehl officiated.

The bank is a subsidiary of Mark Twain Bancshares, Inc. The opening marks the first time a St. Louis County-based multi-bank HC has moved into St. Louis' downtown marketplace. Another St. Louis County multi-bank HC, Landmark Bankshares Corp., is in the process of organizing a downtown St. Louis bank subsidiary.

Mark Twain Bank St. Louis is located in an area that contains Busch Memorial Stadium, home of the St. Louis Cardinal baseball and football teams.

It opened in a building that formerly housed a facility of another downtown St. Louis bank. The structure, originally designed by Edward Durell Stone in 1970, has been renovated by Peckman Guyton Albers & Viets. Its lower windows, formerly recessed approximately eight feet, have been removed and replaced with new, larger windows, thus increasing the bank's area by 2,400 square feet to 27,000 square feet. The bank occupies the first floor and lower level. The latter contains conference and dining rooms and safe deposit/vault area.

On the first floor, offices of Presi-

dent Robert F. Borchert and other officers are in plain view of passersby on the outside as well as lobby visitors.

Three of the original eight drive-up lanes in the former bank facility have been removed to allow for a covered parking area.

Mark Twain Bancshares was formed in 1969, with Adam Aronson as chairman, and with three member banks: South County Bank, Lemay, which Mr. Aronson organized in 1963; Mark Twain State, Bridgeton, open since 1965, and Northland Bank, Jennings, which had begun operations in 1967. All are in St. Louis County. The HC's assets as of June 30, 1969, were \$104,200,857. Today, they total \$930 million, and Mark Twain Bancshares has 21 locations in the St. Louis area and in Kansas City. Mr. Aronson still is the HC's chairman.

Between 1934 and 1967, St. Louis' downtown area saw no new banks opening. Then, in 1967, Missouri State opened for business. It was followed in 1972 by Commerce Bank of St. Louis, opened by Commerce Bancshares, Kansas City, and in 1973 by United Missouri Bank of St. Louis, whose parent is United Missouri Bancshares, also in Kansas City. In 1974, Cass Bank, which had been operating on the fringes of the downtown area since opening early in this century, moved downtown. ●●

Penn Square Failure Results in Changes At Continental Bank

CHICAGO — In the wake of the Penn Square Bank of Oklahoma City closing, Continental Illinois Corp. here has announced changes in executive management, officer-level staff and new personnel assignments. These moves followed completion by management of the first phase of a review process centered on the Penn Square Bank situation. Continental Illinois Corp. is the parent of Continental Illinois National.

"We have completed an exhaustive review of the conduct of personnel relating to the Penn Square Bank situation during this first phase," says Continental's chairman/CEO, Roger E. Anderson. "Our investigation has shown that strong measures must be taken to reinforce both the discipline and management structure of Continental, and our actions are responsive to this requirement. The board of directors has reviewed our decisions and has acted on our recommendations."

Mr. Anderson said that while the first phase of Continental's review was not directed specifically at practices and procedures, the review process revealed the desirability of improving certain control mechanisms.

"Prompt action is being taken now to put these improvements into effect," he adds. "The second phase of our review will concentrate on an analysis of our lending policies, practices and procedures."

The first phase consists of the following personnel changes:

Vice President John R. Lytle, who headed the Mid-Continent division of the oil/gas group — the unit principally involved in the Penn Square Bank relationship — has been terminated.

In other personnel actions, Executive Vice President John E. Porta has been named head of the special industries department, succeeding Executive Vice President Gerald K. Bergman, who resigned to pursue other business interests. Mr. Porta continues as head of the multinational banking department.


Senior Vice President Garry J. Scheuring has been named head of the special industries' oil/gas group. He succeeds Senior Vice President John A. Redding, who has retired. Mr. Scheuring was head of the Chicago/Toronto division, multinational banking, which now is headed by Senior Vice President George L. Schueppert, who has returned to Chicago from the

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Vice President Thomas J. O'Bryant now heads the Mid-Continent division of the oil/gas group, formerly headed by Mr. Lytle. Continental also has accepted the resignation of Vice President Patrick M. Goy, who was in the same group.

In addition, Executive Vice President William D. Plechaty, head of personal banking services, has been named auditor, succeeding Senior Vice President Edwin J. Hlavka. The latter has been given a new assignment within the bank. Mr. Plechaty was auditor from 1969-73. Senior Vice President Joel J. Crabtree is acting head/personal banking services.

Senior Vice President Richard C. Rastetter, head of the loan administration division, has retired, and his division now reports to Mr. Plechaty.

Domestic operating units of general banking services, headed by Senior Vice President Joseph P. Coriaci, have been reassigned from Executive Vice President George R. Baker to Executive Vice President Gail M. Melick, who has charge of operations/management services.

Banks, Corporations Report On Non-Credit-Service Usage

A change in the nature of non-credit service demands by large corporations is on the horizon. Banks report that such corporations currently demand services such as wire transfer, payable through drafts, security safekeeping and pre-authorized debits.

But a survey of large corporations reveals that future demand will focus on domestic wire transfer, account-reconciliation plans, commercial night depository, lock box and payroll preparation.

These are among the findings of two surveys reported in *Non-Credit Services: The Banker and Corporate Views*, a new research report prepared by the ABA. A large sample of commercial banks was surveyed by the ABA while Greenwich Research Associates interviewed corporate financial executives, cash-management specialists and senior financial officers at more than 5,000 middle-market firms with annual sales of \$5 million-\$110 million.

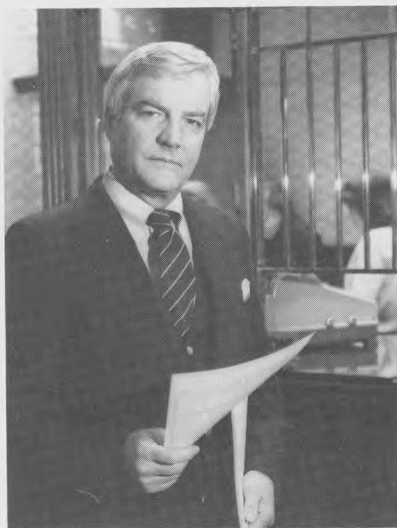
Of the banks responding to the ABA study, 10% or more reported they are considering providing the following services to corporate customers: automated balance reporting, terminal access to accounting data, concentration/automated clearinghouse, same-day disbursement reporting accounts, cash-management consulting and excess-fund investment services.

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Boards of Two Illinois Groups Approve Unification Agreement

A RIFT that developed nearly 10 years ago in Illinois will be healed if members of the Illinois Bankers Association (IBA) — at a special convention before year-end — approve a proposed merger of their association and the Association for Modern Banking in Illinois (AMBI).

A unification agreement that would create a new statewide banking corporation was approved last month by the boards of AMBI and the IBA. If two-thirds of the membership present and voting at the special IBA convention ratifies it, the agreement will become final. AMBI's board, which determines all policy for its membership, already has given final approval to the agreement.

Major provisions in the agreement as of January 1, 1983, would:

- Create a new chartered, not-for-profit corporation to be named the Illinois Bankers Association.

- Merge assets of the two associations and, in compliance with federal and state election laws, merge January 1, 1983, the respective political action

committees of both associations.

- Create a board of 30 members with policy-making authority.

- Permit the three top elected officers of both associations to serve on the board for the first two years of the new association, with Donald R. Lovett as IBA president for the first year and Charles C. Wilson as president the second year. Mr. Lovett, now IBA president, is chairman/president, Dixon National. Mr. Wilson, AMBI chairman, is chairman/CEO, First National of the Quad Cities, Rock Island.

Steps toward unification began last summer following a call for such talks by memberships of both associations and their boards during their annual meetings in June.

Five representatives, plus one alternate from each association, were appointed to the groups' unification committee, with William C. Harris, Illinois commissioner of banks and trust companies, serving as an impartial, nonvoting moderator of the discussions.

Following creation of the agreement and its unanimous endorsement by the unification committee and each association's elected officers, boards of the two associations gave their unanimous approval September 14.

AMBI was formed by dissident IBA members in 1973 for the purpose of restructuring Illinois banking law, which, at that time, forbade multi-bank-holding companies. The IBA had opposed any change in state banking laws. The reason for the division disappeared when a multi-bank-HC bill was passed in 1981 and became law last January.

In a joint statement issued in September, Messrs. Lovett and Wilson termed the agreement, "A major, positive step toward expanding legislative and educational bank programs and consumer services."

The merger, they agreed, "would eliminate duplication of legislative and educational programs for bankers and provide a unified voice in the Illinois General Assembly and in Washington."

Commissioner Harris described the agreement as "the fairest and most equitable way to unify these two associations. I can assure everyone that many hours were spent in lengthy discussions of all issues involved."

"Every member of the two teams displayed mature judgment. Their

only concern was what would be of greatest benefit to the entire banking industry."

The IBA has about 1,000 members, representing 80% of the banks in Illinois. AMBI has 285 members, representing over 80% of total bank assets.

Special Counsel

(Continued from page 6)

When selecting a special counsel, a community bank probably would have to go outside the area. In urban areas, however, an officer of a major accounting firm would possess the necessary expertise. When senior partners of management-advisory services of Big-Eight accounting firms charge more than \$150 an hour, the question of cost to benefits arises. Generally, institutions forced to appoint special counsels have experienced lowered earnings and often have been operating in the red. In instances where the special counsel determines there have been abuses of the fiduciary responsibilities of bank officials, it's likely his report will be forwarded to the regulator, who, in turn, will invoke civil monetary penalties.

In a recent case, three senior executives of a medium-sized bank were assessed \$25,000 each. The penalties were assessed because of continuous violations of 12 USC84.

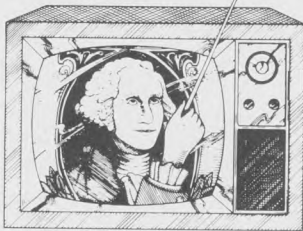
It should be noted that the three officers have contested the civil monetary penalty assessment and a hearing on the notice of assessment has been scheduled. However, in this case, the Office of the Comptroller of the Currency has made criminal referrals to the Department of Justice.

As one reviews the enforcement actions that occurred between July and December, 1981, one can't help but be amazed at how often the violations involved loans to insiders that were in violation of legal loan limits and also were characterized by lack of collateralization and loan documentation.

In this context, it should be recognized that insider loans are the lifeblood of many financial institutions. For the most part, these loans are a bank's better transactions; but, because of their insider nature, they are subject to "special review" by examiners. These loans should be properly documented and not permitted to exceed the bank's legal limits.

One other interesting observation: Many banks have been criticized by shareholders for their relatively low dividend payments. Yet in several

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dozen cases, boards have illegally declared excessive dividends on bank stock. This raises the question of the procedure of a board's declaration of dividends and its conferring with legal counsel to determine the legality of declaring such dividends.

Will the role of special counsel grow? It's probable there will be a strong correlation between the number of appointed special counsels to banks and the number of classified banks. On the whole, I believe the technique is a desirable one. It strikes

a somewhat different psychological relationship between the bank's board and the special counsel than exists between the board and the regulatory examiner. In the latter case, the relationship is an adversary one; whereas, in the former instance, the special counsel is trying to help the board perform in a manner in which it should have performed in the first place in regard to enforcement actions that concern prudent banking practices.

However, for those actions involving the Community Reinvestment Act

and Regulations B and Z, I have less support for the requirement of the employment of a special counsel by banks that have been classified in those areas. The pragmatic solution would be to repeal these unworkable regulations.

As far as is known, no study has been made of the performance of special counsels and the overall basic question of their cost to benefits. Perhaps in a year or so such a study should be made and publicized. ● ●

Round-the-Clock Safe-Deposit Facility Opened by First of Birmingham

RESIDENTS of Birmingham, Ala., now have access to a 24-hour, seven-day-a-week safe-deposit facility operated by a bank — First National. It's located on property adjacent to the bank's Mountain Brook-Office Park Branch on Highway 280 South.

The bank's research indicated a need for both additional safe-deposit space in the Birmingham area and greater access to safe storage, according to C. Dowd Ritter, executive vice president in charge of First National's retail banking division.

The building contains about 3,000 square feet of space divided into three functional areas: a secure waiting area, private customer booths and rooms and vault. Access into the building itself is controlled, as is access to various areas inside.

Basically, the new facility operates similarly to the bank's regular safe-deposit-box service, except that it's open around the clock seven days a week. It's available to non-customers of the bank as well as customers.

Entry into the vault area is controlled, and, as with regular safe deposit boxes, an attendant's key is required to allow a customer's key to open a storage area. Additional lighting and electronic devices add to the security outside the building.

Safe deposit boxes range from 3x5x22 inches to 30x15x22 inches, and fees vary with the different sizes. Also available are bulk-storage areas. The latter are leased on quarterly and yearly bases.

Because of the added expense of providing accessibility to the facility 24 hours a day, seven days a week, fees for safe-deposit storage at the new facility are higher than fees charged for boxes in the bank's branches.

"The facility is designed to accommodate both individual and business needs for a safe, but readily accessible, place to store valuables," Mr. Ritter points out. "Individuals who normally may risk keeping jewelry, silverware, stamp and coin collections and even expensive artworks at home

will be able to store them in absolute safety, yet still have them readily available."

He notes advantages that availability to safe storage will offer professionals such as attorneys, CPAs and stockbrokers, who often need important papers, including wills, insurance policies and securities, quickly in an emergency. He adds that businessmen such as jewelers, who routinely handle valuables, and data processing firms and companies with their own computers can store jewelry, records and computer tapes safely in the new facility, yet can get to them anytime.

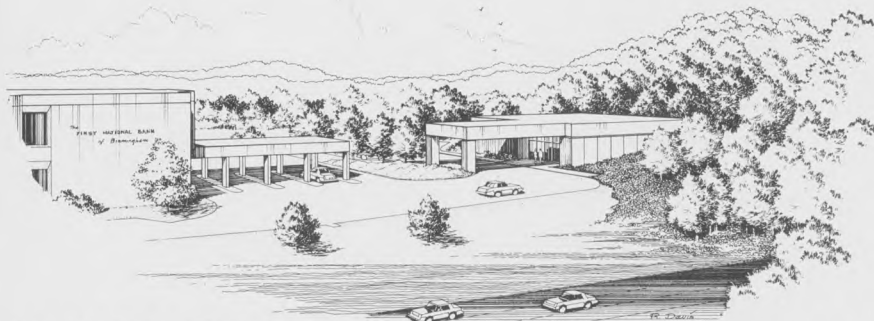
"Our facility is similar to vaults constructed by private investors in some of the nation's larger cities," Mr. Ritter points out. "Since we have been protecting people's money and valuables for almost 110 years, it is a natural addition to our service portfolio." ● ●

Houston Banks Sponsor 'Texas Tennis Challenge'

The 1983 Interfirst/Fannin Bank Texas Tennis Challenge took place last month in Houston, featuring tennis superstars John McEnroe, Vitas Gerulaitis, Guillermo Vilas and Eliot Teltscher. The event was sponsored jointly by Interfirst and Fannin banks, Houston.

Players competed for \$150,000 in prizes. The banks donated playing positions for two celebrities matches to cystic fibrosis, which sold the rights to play as partners with the top pros to raise funds for research. Cystic fibrosis is the official charity of the Association for Tennis Professionals.

Racquets of the top four seeded players were auctioned to the public following the match. Auction proceeds benefited Texas Special Olympics and Duke University's Living and Learning Center.



This is artist's sketch of new 24-hour, seven-day-a-week safe-deposit facility (r.), which has been opened by First Nat'l, Birmingham. It is located adjacent to bank's Mountain Brook-Office Park Branch.

Merger of Tennessee HCs Approved by Shareholders

THE LARGEST bank merger in Tennessee will take place as the result of shareholder approval September 20 of a merger of Third National Corp., Nashville, and Ancorp Bancshares, Inc., Chattanooga. Regulatory approval is pending, but expected, according to a Third National Corp. spokesperson.

The merger agreement calls for Third National Corp. to be the surviving corporation and owner of 10 banks and related financial businesses across Tennessee, with combined total assets of approximately \$2.9 billion. Also under the agreement, seven current directors of Ancorp or its subsidiaries will join the Nashville HC's board.

In all, eight new directors were elected to Third National Corp.'s board as it will be constituted following

the merger, including Scott L. Probasco Jr., chairman/CEO of Ancorp, and Charles W. Cook Jr., president, Third National Bank, Nashville. Sam I. Yarnell also is one of the eight. He is vice chairman, Ancorp, and chairman, American National, Chattanooga.

The agreement calls for Charles J. Kane, chairman/CEO, Third National Corp., to remain in those posts after the merger and for Mr. Probasco to become president. In addition, John E. Southwood will become vice chairman and chairman/operating committee. He has been president, Third National Corp.

After regulatory approval, the merger will make Third National Corp. Tennessee's second-largest bank HC. Shares of both HCs are traded in the over-the-counter market. ● ●



This is part of group of 11 southern Missouri banks' employees and their families who took part in canoe race.



Two contestants in southern Missouri banks' canoe race paddle Bryant Creek.

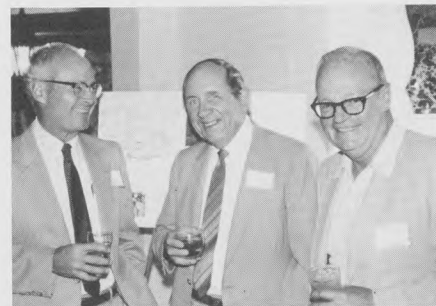
Spirits Not Dampened By Rain at Party Given By Citizens of Decatur

Rain dampened the golf course, but not the spirit of 192 golfers who enjoyed a day of relaxation and fun at the 43rd annual golf outing and correspondent bank party hosted by Citizens National, Decatur, Ill., September 13.

The dinner drew a crowd of almost 300 bankers from central Illinois and Missouri. The party was originated by the late John H. Crocker when he organized the correspondent department in 1939. The department now is headed by Dale Arnold, senior vice



William Barnes III (l.), ch./pres., Citizens Nat'l, Decatur, Ill., does serving honors on salmon as banker-guests pass through buffet line at bank's 43rd annual correspondent bank party.



Frank Evans (l.), director, Citizens Nat'l, Decatur, Ill., visits with Chick Finson (c.), Nat'l Bank of Monticello, Ill., and Harry Oglesby, official golf starter and retired officer of Citizens of Decatur.



Dale Arnold (l.), s.v.p. and head of correspondent bank department, Citizens Nat'l, Decatur, Ill., reads names of winners of golf and attendance prizes at bank's 43rd annual correspondent bank party. Assisting Mr. Arnold are three other Citizens Nat'l officers: David G. Webber (2nd from l.), v.p.; Richard N. Helm (2nd from r.), a.v.p., and Jack Dolan, correspondent bank officer.

president.

Winning the top golf prize of low gross was Ed Zilm, senior vice president/trust officer, Citizens National, Toluca, Ill. The low net award went to William Amling of First National, Pana, Ill. — Lawrence W. Colbert, assistant to the publisher.

Banking Competitors Get Together in Canoes To Boost Area Tourism

Employees from 11 southern Missouri banks were competing with one another in a different way this summer than they usually do — they were in canoe races in a combined effort to boost tourism in the area.

More than 50 employees of these banks paddled in a 17-mile race on Bryant Creek, then filled up on barbecue and musical entertainment.

"Purpose of the race," says Roy Jones, executive vice president, Bank of Gainesville, "was to create interest in tourism in the area and to encourage people to float the streams, as well as to provide bank employees with a chance for a good time."

Contestants participated in men's, women's and coed divisions and were handicapped according to combined ages of the paddlers. No casualties were reported in the fierce water competition, although each canoeist received at least one dunking. Perhaps, the theory was, "If you can't beat your bank's competition, dunk 'em."

Everyone had such a good time, the canoe race promises to become an annual affair.

Griffith L. Garwood became director of the Fed's division of consumer/community affairs August 1. He has been with the Fed since 1968, most recently deputy director of the consumer/community affairs division.

Kentucky Bankers Thrash Out HC Issue; Convention Votes to Support HC Legislation

AT THEIR annual convention at Louisville last month, Kentucky bankers agreed (but not unanimously) on an issue that has split the association for the past several years.

By a vote of 168 to 90, "official" delegates to the annual meeting of the Kentucky Bankers Association adopted a resolution that would permit the association to support multi-bank-holding company legislation.

A year ago, the KBA had voted to oppose the multi-bank-holding-company concept. Shortly thereafter, a group of bankers who sought that type of legislation for the state formed an organization known as the Progressive Bankers Association of Kentucky. The specific purpose of the organization was to lobby for multi-banking legislation in 1982. Its proposal failed by a "whisker" — just one vote in the state legislature.

The Progressive Bankers organization — numbering about 70 banks — threatened to defect from the KBA unless the association took an official stand to foster multi-banking. Directors of the KBA agreed that it was time to change its position and sought for unity by asking the association to "take back" the dissident Progressive Bankers by official action at the 1982 convention.

This reversal of position by KBA directors sparked the birth of the Independent Community Bankers Association of Kentucky. Purpose of this group was to put the convention on



After-dinner speaker Grady Nutt of TV's "Hee Haw" show is pictured at left with ABA President-Elect William H. Kennedy Jr. (c.) and KBA Executive Vice President Willis G. Moremen (r.)

record as continuing its opposition to any change in current law that restricts the bulk of a bank's operation to its home county. Banks in Kentucky are forbidden now to form multi-bank holding companies or to branch beyond county lines.

Thus, battle lines were drawn and for the first time in many years Kentucky bankers voted on these important matters by registering as "voting" delegates. As votes were taken, they were counted one by one by "poll judges."

After some parliamentary maneuvering and speeches pro and con on the subject, Progressive Bankers were "returned to the fold" after they had given up on their demand that some of their outstanding expenses be absorbed by the KBA.

Then in the all-important vote — whether to amend the KBA's official

stand on multi-bank holding companies — the convention voted 168 to 90 to amend.

Independent Bankers, despite the vote, plan to continue their opposition to multi-banking in the state. Although the governor of Kentucky had stated months before that if the association would agree on multi-banking he would support it, Independent Bankers clearly stated they want the governor to know that "in spite of moves by the large banks to present a picture of unity within the banking community on the issue, there is no consensus on this issue."

How effective can the Independent Bankers be with the KBA now officially committed to multi-banking? Only the next legislative session will tell the story.

In an interesting amendment to its organizational rules, the KBA increased its number of directors from 14 to 15 — the 15th ostensibly to represent the interests of larger banks that favor multi-banking.

Five of the KBA directors are elected officers of the association, and the additional nine represent KBA groups scattered geographically around the state. Addition of a new director apparently constitutes an additional "voice" for some of the larger institutions.

Apparently, this move was a concession to the Progressive Bankers group, which had expressed a dislike for the one-bank, one-vote rule of the KBA. The Progressive group would have preferred a two-tiered voting structure whereby smaller banks would have one vote and larger banks with larger assets would have greater representation.

The Progressives argued that the KBA is not a democratic organization. All decisions, Progressive Bankers stated, had been made by the time the



New KBA officers pose with outgoing President Allan S. Hanks (l.), pres., Anderson Nat'l, Lawrenceburg. They are (l. to r.): KBA president — F. C. Keiser, ch./pres., Farmers Deposit Bank, Eminence; KBA president-elect — Clay Parker Davis, pres., Citizens Nat'l, Somerset, and KBA treasurer — Clyde Heflin, ch./pres., Peoples Commercial Bank, Winchester.

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Treasurer — Clyde Heflin, ch./pres., Peoples Commercial Bank, Winchester.
Group Two — John E. Darnell, ch., Owensboro Nat'l.
Group Three — A. Stevens Miles, ch./CEO, First Nat'l, Louisville.
Group Nine — Robert M. Duncan, pres., Inez Deposit Bank.

membership votes on directors and, in effect, each board selects its own successors. The 15th director (for larger banks) apparently was a concession to that criticism.

Other events at the convention were almost anticlimactic in view of the intense interest in the voting procedure. However, Kentucky bankers conducted their usual business sessions, electing officers (see listings in accompanying box), listened to invited speakers and were entertained at a variety of functions, including a final convention dinner speech by Grady Nutt, a star of the TV Hee-Haw Show.

FDIC Chairman William M. Isaac presented a rather grim picture of the stability of the banking system. He reported (on that date) failures of 25 commercial banks in 1982, double the number of any bank failures in any year since World War II. The FDIC has paid out as much in 1982 for these bank failures, he said, as it paid out in the first 50 years of its existence.

But even though the FDIC fund has been drawn on substantially, Mr. Isaac explained to bankers that the fund is still growing and at the moment is in no danger of being weakened.

Regarding bank examinations, the FDIC chairman stated the FDIC was making plans to redirect its resources so it would not spend as much time in off-premise examinations. The agency, he said, was gearing up to use bank reports as input in a computerized, off-premise monitoring system.

He also stated that call reports were being restructured so that nonperforming loans could be monitored more closely. He intimated that where banks had heavy amounts of nonperforming loans, the delay would be too great for the FDIC to take any action, and he was hoping for some computerized monitoring of these by the agency.

ABA President-Elect William H. Kennedy Jr. traced the problems of our present economy that led to the disastrous inflationary era, which the Federal Reserve has sought to control



Philip Morris award is accepted by J. W. Phelps (c.), pres., Liberty Nat'l, Louisville. Award was presented by F. Harrison Poole (l.), v.p./treas., Philip Morris. KBA President Allen Hanks looks on.

with monetary policy. Although interest rates have declined, the Arkansas banker cautioned that 60% of the nation's savings now are used up by the government budget.

He referred to banking's many competitors — security firms, thrifts, money markets — and pointed out that needed changes in the banking laws (nationally) would be accomplished only if the bankers of the nation were together. Too many splinter groups, he argued, sap the political strength of the banking industry.

Obviously referring to the American Bankers Association, he argued that even though banks may not agree 100% with every policy decision of the ABA, the banking industry as a whole will be better off, he counseled, if banks stick together.

Only "officially designated" convention delegates could vote on HC issue. Here, judge passes through delegate group to count votes.



Another speaker, Louis V. Gerstner Jr., vice chairman, American Express, expressed confidence that financial institutions face a great opportunity today to position themselves for unprecedented growth.

Financial institutions, including banks, he said, must recognize that consumers today are demanding maximum return on their savings.

Banking institutions, he said, still are dominant financial institutions. They still control two-thirds of the assets of households and, in his opinion, will continue to "control" the consumer. That is exactly why, he said, American Express wants to work closely with banks. He cannot see the consumer deserting a banking institution for the new range of competitors appearing on the horizon.


He did suggest to bankers they need to understand and accept market forces in place today. He pointed to permanent shifts in consumer needs. He indicated that legislative restrictions and geographic restrictions most certainly would be removed in the years ahead. He also predicted a proliferation of new products and new distribution channels.

He urged bankers to understand market segmentation, develop product-delivery systems and to give value, provide superior service and, above all, stay flexible.

For the second year in a row, Liberty National, Louisville, captured the Philip Morris Community Service Award. The bank created a series of mini-plays designed to travel throughout the community and provide frequent programs to those audiences who had little opportunity to enjoy the theater.

Runner-up was Farmers Bank, Frankfort, while third place was taken by First Hardin National, Elizabethtown. — Ralph B. Cox, publisher.

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About Banks and Bankers

Alabama

DeWayne Cuthbertson has joined Central Bank of the South, Birmingham, as senior vice president/human resources division. He was associated for 18 years with Government Employees Insurance Co., Washington, D. C., where he was in the top corporate human-resources position the past five years. Central Bank also has a new director, **Tranum Fitzpatrick**, president, Guilford Co., Governor's House, Inc., Realty Partners, Inc., and Fitzpatrick Associates.

H. Taylor Morrisette resigned August 31 as chairman of the boards/chairman of the executive committees, First Bancgroup-Alabama, Inc., and First National Bank, Mobile. He remains a director of the HC and bank. Mr. Morrisette has resumed his duties as president/CEO, Colonial Sugars, Inc., on a full-time basis. N. Q. Adams, the bank's CEO, was promoted to chairman of the bank and president/chief operating officer of the HC. He formerly was president of the bank, a post recently given Robert J. Blackwell, who also was named the bank's chief operating officer. He had been president/CEO, First National, Huntsville, another First Bancgroup affiliate. Matthew S. Metcalfe was named the HC's chairman/CEO. He is CEO/vice chairman, Loyal American Life Insurance Co., based in Mobile. Jay P. Altmayer was named the HC's vice chairman. He is a tree farmer and chairman, Alabama Land & Exploration Co. F. Michael Johnson, acting president of the HC since last May, has been named executive vice president.

Phillipe W. Lathrop, trust investment officer, First National, Birmingham, has received the chartered financial analyst (CFA) designation from the Institute of Chartered Financial Analysts. This designation indicates the qualification to supply professional judgment in prudent management of varied holdings suitable to a wide range of investors.

Albert E. Petersen has advanced from executive vice president to president, Parker Bank, Cullman, where he con-

tinues as CEO. Judge Jack C. Riley, formerly president, has been named chairman.

Arkansas

Jack C. Thomas, vice president/trust officer, Worthen Bank, Little Rock, has been promoted to manager/trust division. Senior Vice President Lawrence B. Burrow, manager of that division the past 12 years, has taken early retirement, but continues to consult with bank customers about trust/estate planning. Mr. Thomas joined Worthen Bank in 1965 and is a member of the Arkansas Bar Association.

Farmers Bank, Clarksville, has elected Harold W. Johnson and Nina

Mason vice presidents, Rebecca A. Upton and Tommy Lee Sexton assistant vice presidents and Sandra Sue Robinson manager/Cherry Street Branch. Mr. Johnson is in charge of customer service. Ms. Mason is responsible for account service. Ms. Upton is in marketing and Mr. Sexton in lending.

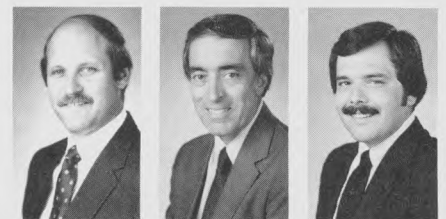
Kenne Ketcheside has been elected vice president, First State, Conway, where he works in real estate and product development. He formerly was with Security Savings & Loan Association, Conway.

Pete Maris has joined Pulaski Bank, Little Rock, as executive vice president, with primary responsibility for the lending division and new-business development. He formerly was executive vice president/director, First National, Hot Springs.

The Fed has approved the application of Salem Arkansas Bancshares Corp. to become an HC through acquisition of Bank of Salem.

Illinois

National Boulevard Bank, Chicago, has named two vice presidents — Brendan Heintz, Division B, and Alan Fine, Division C — and one assistant vice president — Tom Panos, Division B. Since 1979, Mr. Heintz had been assistant vice president, Division B.



FINE

HEINTZ

PANOS

Mr. Fine joined the bank in July from Bank of Addison, where he was vice president/lending. Mr. Panos had been assistant vice president, Ford City Bank, Chicago, before going to National Boulevard.

The final step has been taken in the merger of two Chicago bank HCs, Ex-

Dermott Banker Honored

DERMOTT — Thomas H. Grumbles, pres., First State, was among 30 recipients of an "exceptional-accomplishment award" presented September 8 in Little Rock by the state Chamber of Commerce. The award was given for Mr. Grumbles' outstanding service to his community in the 1982 community-development program.

Mr. Grumbles was cited for his accomplishments as mayor of Dermott and president of that city's Chamber of Commerce. While he was head of the CofC, membership increased 25%, the greatest increase in years; after a 15-year lapse, an annual Christmas parade was revived, and Dermott Celebration Day (now an annual event) was started, with its four-mile marathon, which brings participants into town from a wide area.

As mayor, Mr. Grumbles restored harmony to City Hall, resulting in salvaging and successfully completing the multimillion-dollar community-development program, which had been on the brink of disaster. Other accomplishments included improvement of police services, cooperation with private developers in building a 40-unit housing development for the economically deprived and addition of new equipment and services to the sanitation department.

Cairo Bank Closed

CAIRO — Security Bank here was closed August 27 by William C. Harris, Illinois banking commissioner. He announced he had no other recourse because of the bank's excessive loan losses and its inability to generate sufficient income to provide adequate capital to assure safety to depositors.

Commissioner Harris appointed the FDIC to act as receiver for the bank under provisions of the Illinois Banking Act. He also emphasized that Security Bank depositors would not be inconvenienced in any way because their deposits have been purchased from the FDIC by First Bank, Cairo. The latter bank is operating a limited-service facility in the former Security Bank building.

change International Corp. and Central National Chicago Corp. According to a spokesperson for the HCs, this is the largest banking merger in the state in 21 years. On August 23, the combined financial institution became Exchange International Corp., parent of Exchange National Bank, Chicago. Its assets are over \$1 billion.

The Fed has approved a proposal enabling General Bancshares Corp. (GBC), St. Louis-based multi-bank HC, to acquire Belleville National. The merger, according to the HC's chairman/president, Jack W. Minton, is the first step in its current Illinois expansion program. Last July, shareholders of Mid-Continent Bancshares, Inc., parent of Belleville National, approved the proposed merger plan. GBC is the only out-of-state bank HC authorized to acquire banks in Illinois under the new Illinois multi-bank HC act.

Ronald G. Lenhart has been promoted from assistant vice president to vice president, Central National, Sterling, where his responsibilities are in agriculture/commercial loans. He joined the bank in 1961.

The Fed has approved the applications of Elliott Bancorp, Inc., Jacksonville,

to become a bank HC through acquisition of the successor by merger with Elliott State, Jacksonville; ES Bank, Jacksonville, a proposed interim bank, to become a member of the Fed and Elliott State to merge with ES Bank.

Indiana

Citizens Bank, Jeffersonville, has promoted Patricia Pitts to assistant vice president-EDP audit and Karen Labhart to assistant auditor. The bank's eighth branch, Green Tree Central, was opened in the Green Tree Mall in August.

Sam O. Norwood has been promoted to assistant vice president/branch manager at the Hessen Cassel Office of Lincoln National, Fort Wayne. He joined the bank in July, following service at Fort Wayne National.

Kansas

Charles A. Morgan III has been named vice president, Mulvane State, which he joined in August. He formerly was head examiner/supervisor for the state banking department and was stationed in the Salina area six years.

First Citibank, Olathe, has promoted David A. Inskeep from vice president to executive vice president and has elected James R. Fowler and Harold V. Cantrell to its board. Mr. Fowler is president, Midwest Yacht, and vice president, Royal Coach, Inc., Olathe, and previously was vice president/real estate and construction, Commerce Bancshares, Kansas City. Mr. Cantrell is director, Riley Manufacturing Co., Olathe, and comptroller, North American Building Services, Overland Park. Mr. Inskeep joined the bank in May, 1981.

David L. Spehar has moved up from vice president/commercial loans to executive vice president, Wyandotte Bank, Kansas City. He has been with the bank 15 years.

Bazine State has increased capital from \$100,000 to \$300,000 through a stock dividend.

United Kansas Bank, Merriam, has boosted capital from \$820,000 to \$854,000 through sale of new stock.

Jeffrey L. Laudermilk has joined Farmers State, Sterling, as assistant cashier. He formerly was an assistant national bank examiner with the office of the Comptroller of the Currency. At Farmers State, Mr. Laudermilk works in the lending areas.

Kentucky

United American Bank of Kentucky, N. A., is the new name of Citizens Union National, Lexington. The name change doesn't affect the bank's charter and becomes effective October 12.

Edmonton State has been acquired by Edmonton Bancshares, a new Fed-approved bank HC.

Bank of Louisville recently became an affiliate of newly established Banlou Corp., a one-bank HC that recently received Fed approval to begin operations.

Louisiana

New Management Team

A new management team has been announced for First Commerce Corp. and First National Bank of Commerce, New Orleans, to be seated following merger of those institutions with New Orleans Bancshares and Bank of New Orleans.

Thomas G. Rapier will continue as president/CEO of the enlarged First Commerce Corp. and First NBC, and Lawrence A. Merrigan, currently president of New Orleans Bancshares and Bank of New Orleans, will be vice chairman of First Commerce and First NBC and chairman of the executive committee of First NBC. The HC and bank will have 25 directors, nine designated by new Orleans Bancshares and 16 by First Commerce.

The mergers are subject to the execution of definitive agreements, approvals by shareholders and regulators, Justice Department review, favorable IRS rulings and other conditions.



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Hibernia National, New Orleans, has named Chris S. Commons, Linnie Wiggins and John W. Milazzo Jr. vice presidents and Jane B. Truett, Michael E. Zazon, Barry Lee Bellue Sr., W. Reid Lea, Robert J. Passaro and Leonard W. Wyderko Jr. assistant vice presidents.

First Guaranty Bank, Hammond, has elected Robert C. Bonicard to its board. He is mayor of Ponchatoula and a former municipal court judge.

Mississippi

Deposit Guaranty National, Jackson, has promoted Edwin M. Keeton Jr., Charles S. Murphy Jr. and Nathan A. Whitehead Sr. to senior vice presidents and named Mildred W. Burttschell and John A. Couch vice presidents. Mr. Keeton joined the bank in 1976; Mr. Murphy has been with the bank since 1978 and Mr. Whitehead joined Deposit Guaranty in Greenville in 1981.



MURPHY



KEETON



WHITEHEAD



CHOTARD

Richard D. Chotard has joined First National, Jackson, as executive vice president. He has served as executive assistant to the deputy secretary of the U. S. Treasury, is a former deputy Comptroller of the Currency for Washington operations and has more than 15 years of banking experience.

Missouri

Mercantile Trust, St. Louis, has elected J. David Huber and Edmund J. Thimme Jr. senior vice presidents. Mr. Huber joined the bank in 1973 and is division head of trust individual services. Mr. Thimme joined the bank in 1979 and is division head of trust institutional services. Also promoted: Mitchell M. Bernstein, Gary F. Grammer and C. Clinton Ward to vice pres-



HUBER



THIMME



BUTLER



HOEING



BOURK



PALMER



FOSTER



BRADSHAW

idents, and V. Ray Adams, Barbara Stevens and Rosemary Fairhead Takacs to assistant vice presidents.

First National, Kansas City, has promoted Clark C. Bradshaw, Anita B. Butler, Thomas A. Foster and Steven N. Palmer to senior vice presidents; Lyle W. Brizendine and Gary G. Stewart to vice presidents; James H. Conley, James D. Cullen Jr., Michael H. Gerhold and John E. Pihlblad to trust officers; and Kathryn Bingham to assistant trust officer. Mr. Bradshaw joined the bank in 1969, Ms. Butler in 1972, Mr. Foster and Mr. Palmer in 1970.

Walter P. Grimm has been elected vice president/credit administrator at Mercantile Bancorp., St. Louis. He formerly was a vice president at Boatmen's Union National, Springfield.

New Bank Receives State Funds



Missouri Treasurer Mel Carnahan (r.) presents \$100,000 check to William O. Steinbrueck, president, Mercantile Bank of South County, St. Louis, as state time deposit under state's "new bank deposit program." Banks less than one year old qualify for such deposits. Program is effort to help new banks build loan potential, provide boosts to local economies and put state funds to work earning interest.

Gerard J. Hoeing has been elected vice president/controller at County Bank of St. Louis, Clayton. Elected trust officer was Johanna K. Sutterfield. Mr. Hoeing joined County Tower Corp. in 1977 and moved to the bank that same year as assistant controller. He was elected controller in 1981. Ms. Sutterfield joined the bank in 1981.

Gil P. Bourk has been named president of Centerre Bank-Kansas City, succeeding J. Barry Myers, president/CEO since 1979, who has been named chairman/CEO. Mr. Bourk is chairman, Chamber of Commerce of Greater Kansas City. He formerly was president/CEO, First Mortgage Investment Co.

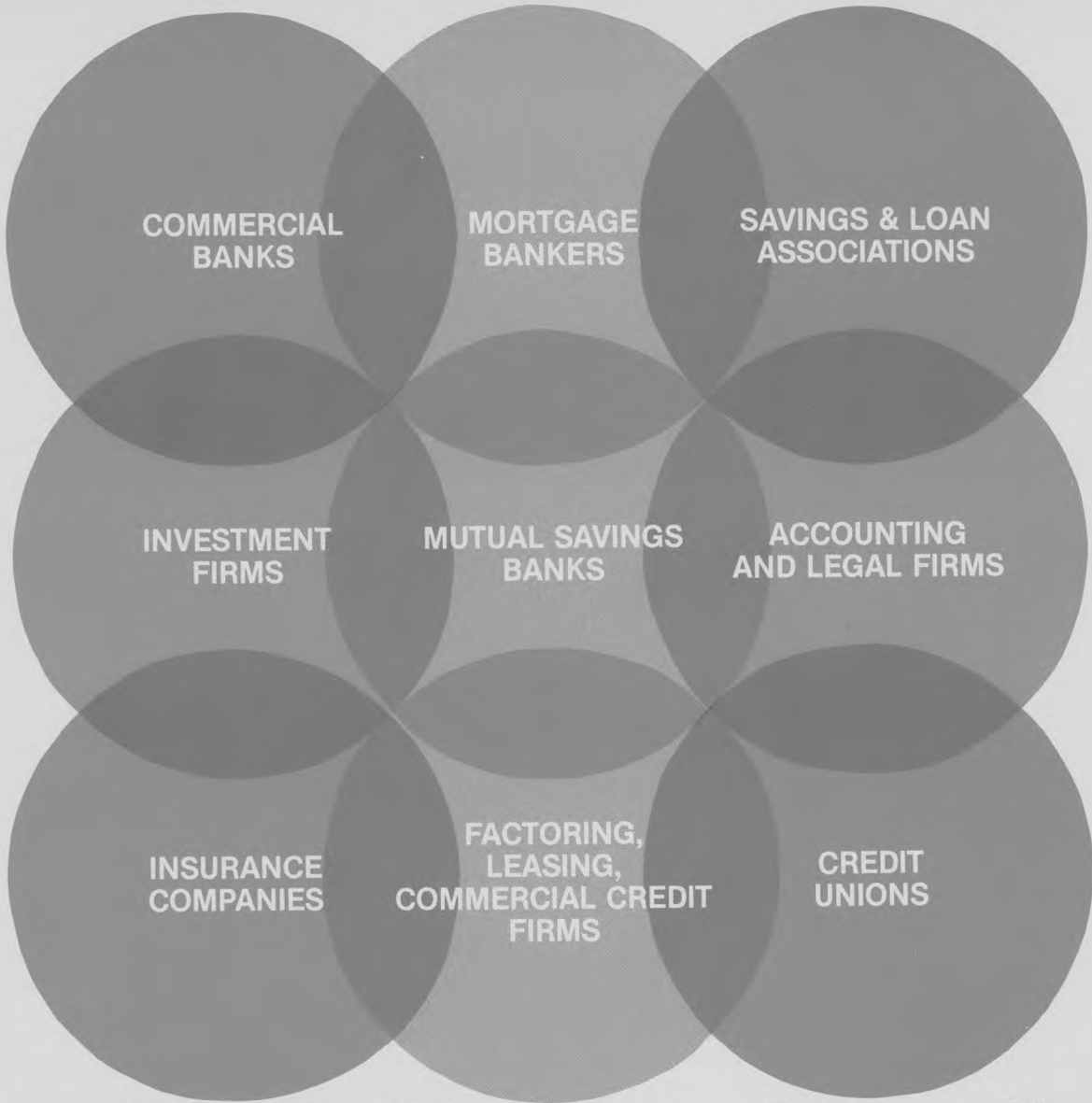
Michael B. Atkin and Pamela R. Boggeman have been named assistant vice presidents at Centerre Bank, St. Louis. They were formerly bond investment officer and commercial banking officer, respectively.

James T. Chamness Jr. has been named assistant trust officer at Boatmen's National, St. Louis. He formerly was with Marsh & McLennan, Indianapolis.

South Side National, St. Louis, now is affiliated with Southside Bancshares Corp., a newly approved bank HC.

First National, St. Charles, will be merged into United Missouri Bancshares, Kansas City, under an agreement in principle signed last month. First National, chartered in 1863, has total assets of nearly \$90 million. It will become United Missouri's 24th affiliate bank.

Commerce Bancshares, Kansas City, has acquired Plaza Bank through merger with Plaza Bancshares. Plaza Bank is the HC's 10th affiliate in the greater Kansas City area. Commerce Bank, Kansas City, has named Merna M. Solomon trust officer. She joined the bank in 1977. New directors at the bank include Kenneth A. Nielsen, Richard C. Green Jr. and J. Eric Helsing. Messrs. Green and Helsing are advisory directors. Mr. Green is executive vice president/director, Mis-



United States Banker

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souri Public Service Co.; Mr. Helsing is senior vice president/chief operating officer, Mutual Benefit Life. Mr. Nielsen is executive vice president, Farmland Industries.

First National, Joplin, has promoted David E. Bahner and Robert J. McCoy to executive vice presidents and Robert L. Liggett to vice president. Messrs. Bahner and McCoy were senior vice presidents.

Commerce Battlefield Bank, a facility of Commerce Bank, Springfield, was opened recently as part of the 80th anniversary celebration of the parent bank. The celebration also included a week-long program of activities, contests and cash rebates.

The Fed has approved the affiliation of Clayton Mercantile National (in organization) with Mercantile Bancorp., St. Louis. The main office of Clayton Mercantile National will be at 8000 Maryland Ave., Clayton. Initial capital will be \$3 million. The bank was organized recently by James E. Brown, president, Mercantile Bancorp.; Neal J. Farrell, vice chairman, Mercantile Bancorp., and president, Mercantile Trust; Robert O. Blomquist, executive vice president, Mercantile Trust; Walter F. Gray, executive vice president/senior executive officer, Mercantile Trust; and John H. Obermann, HC senior vice president and chairman, Mercantile Commerce Trust, St. Louis.

New Mexico

Bank Securities, Inc., Albuquerque, has requested withdrawal, without prejudice, of its Fed applications to acquire Southwest National, Albuquerque, and International State, Raton. The former action was taken after the contract for acquisition of Southwest national was rescinded by mutual agreement. The HC dropped plans on the Raton acquisition after the parties were unable to agree on the final consideration.

Procedures to affiliate New Mexico Banquest Corp., Santa Fe, and Bank of Northern New Mexico, Las Vegas, have been terminated.

Philip White has joined First National, Albuquerque, as vice president and manager/loan administration. He formerly was executive vice president, Rio Grande Valley Bank, Albuquerque. Before that, he had been with two other Albuquerque banks — as president, Citizens Bank, and as executive vice president, American Bank of Commerce.

Oklahoma

Fidelity Bank, Oklahoma City, has named Patrick W. Hunt vice president and director/systems development, computer services, and Tom Biggers vice president and director/banking support. Mr. Hunt joined the bank last July as director/systems development. He formerly was vice president/in-



HUNT



BIGGERS

formation systems for an Oklahoma City S&L. Mr. Biggers, who joined Fidelity in 1976, formerly was assistant vice president and director/banking support, operational support division.

Thomas Quillin has joined Pioneer Bank, Ponca City, as senior vice president. Mr. Quillin, formerly senior vice president, First National, Miami (Okla.), is senior commercial lending officer at Pioneer Bank.

First National, Oklahoma City, has named the following vice presidents/trust officers: Clarence Bagwell, Raymond R. Burch, Stephen J. King, Jack D. LeForce and C. Lee Liscom. Mr. Bagwell formerly was head of electronic banking, First National, Birmingham, Ala. Mr. Burch went to the bank with 11 years' prior banking experience; Mr. King was with Illinois National, Springfield; Mr. Liscomb joined First National from Genesee Bank, Flint, Mich., and Mr. LeForce has been with First National since 1976 and is senior farm/ranch manager, trust division.

First Oklahoma Bancorp., Oklahoma City, has elected Richard G. Hastings III vice president and Jennifer Fink assistant vice president. Mr. Hastings, who joined the HC's banking subsidiary, First National, Oklahoma City, in June, 1981, was vice president/auditor there before his recent transfer to the HC. Ms. Fink joined the HC last February. Before that, she was with Insurance Center.

Tennessee

Third National, Nashville, has promoted Thomas D. Cobb and Janet P. Wassom to assistant vice presidents. Both are branch managers.

Ben C. Plant has joined First American Bank of Anderson County, Clinton, as senior vice president. He is a former president of Hamilton First National (now Hamilton First Bank, Clinton), Oak Ridge office, and at one time was an assistant vice president at First National, Atlanta.

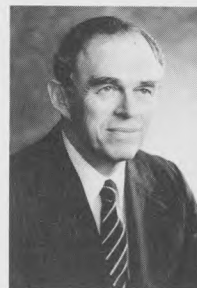
Ronald L. Samuels has been named senior vice president/marketing director, Nashville CityBank. He formerly was vice president/senior lending officer at First Tennessee Bank, Nashville.

Texas

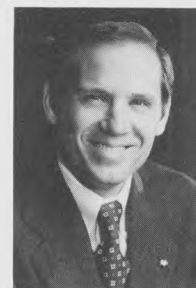
James W. Keay will retire January 31 as vice chairman, RepublicBank Corp., Dallas. He was elected president, RepublicBank Dallas in 1965, became chairman/CEO, 1974-80, and moved to the HC in 1981 as vice chairman. Mr. Keay has been with Republic 33 years. In other action, R. Dale McKinney has been named controller, RepublicBank Dallas, replacing Dan M. Shelton. Mr. Shelton has been named treasurer RepublicBank Corp. Mr. McKinney joined the bank in 1974 and became a vice president in 1978. Mr. Shelton, with RepublicBank since 1965, became controller in 1974.



KEYAY



FRIEDMAN



GRANT

Joseph M. Grant, president, Texas American Bank/Fort Worth (formerly Fort Worth National), will assume the



L to R, Milo Mike Johnson, V.P., The First, Lindel Pettigrew, President, The Chickasha Bank & Trust Co., Michael Dunham, Investment Officer, The First and Bernard P. Hall, Sr. V.P., The First.

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additional titles of chairman/CEO January 1. Bayard H. Friedman, chairman since 1976, will become chairman/executive committee and will continue as a director of the bank and of the HC, Texas American Bancshares, Inc. He also will be devoting some time to personal and other business interests. Mr. Grant joined Fort Worth National in 1975 as executive vice president and moved up to president in 1976. He formerly was president, Capital National, Austin, 1975-76.

James R. Reynolds has moved up from vice president to senior vice president, Mercantile National, Dallas, which he joined in 1976. He has been named head of construction loans/real estate group. Joe Longino, Southwest lending, has been elected a vice president. The bank's parent HC, Mercantile Texas Corp., also in Dallas, has announced the proposed merger of First National, Lubbock, into the HC has been called off. In spite of almost 62% of the Lubbock bank's shareholders voting approval of the merger, it became apparent that a significant number of directors and stockholders

New Motor Bank



This is an artist's sketch of the 26-lane motor bank being constructed by Houston's First City Nat'l. The facility, to be located on a full block — 10 blocks south of the bank's present drive-up facilities — will have 18 retail lanes, six commercial lanes and two lanes with 24-hour Teller 2 Pulse automated teller machines. A five-window walk-in lobby and free parking will be available for commercial customers. Scheduled completion date is the first quarter of 1983.

wanted First National to remain independent. The measure required a two-thirds vote of all outstanding shares to be approved.

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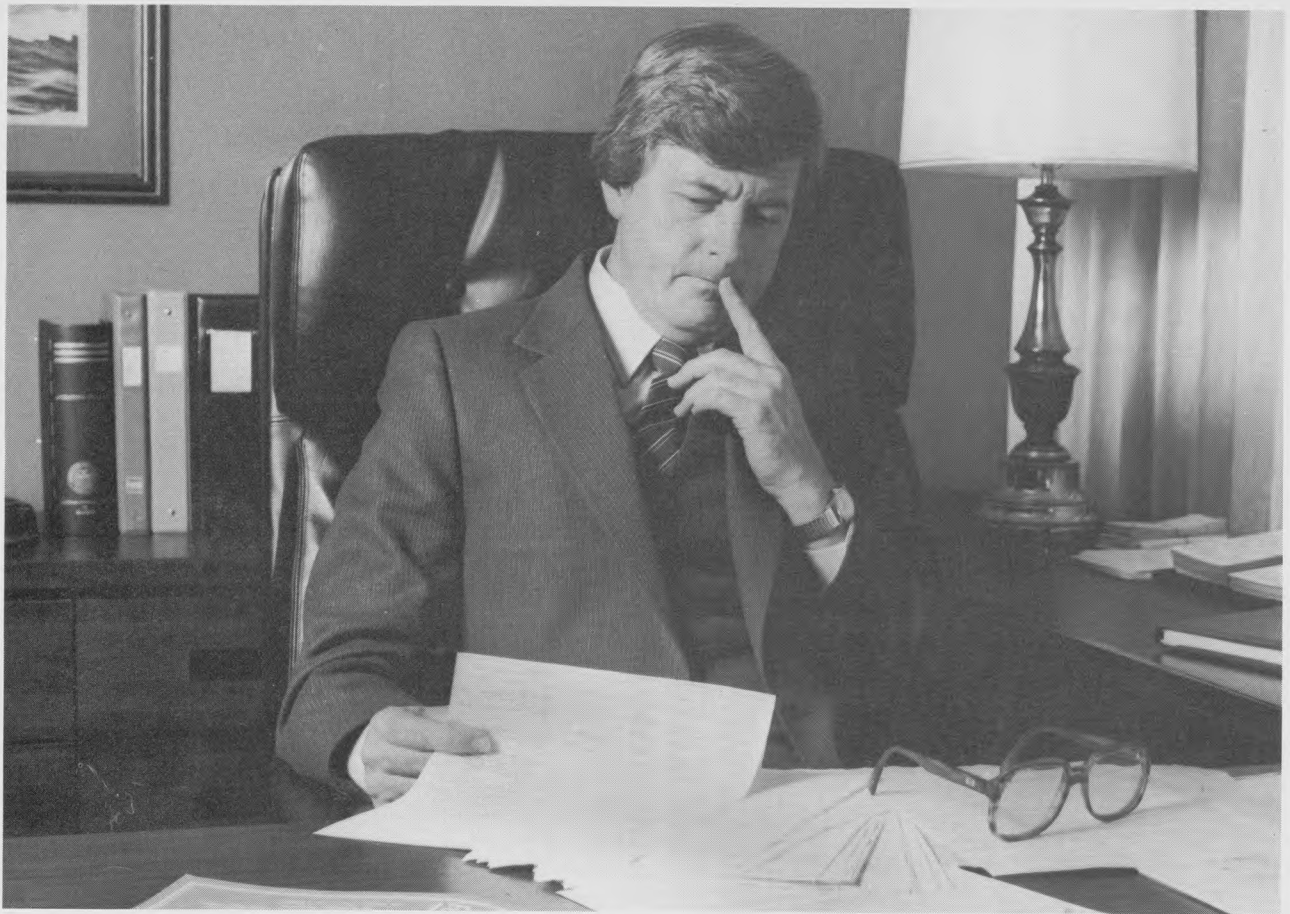


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