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INCORPORATING MID-WESTERN BANKER

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PERSONNEL/PRODUCTIVITY ISSUE

State Convention Previews

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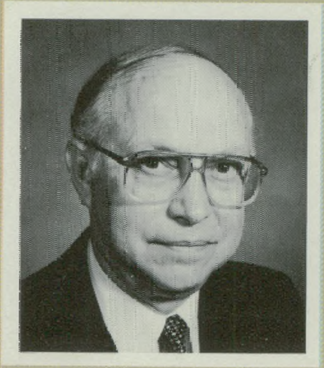
Illinois BA Pres.



Joseph Bibler
Indiana BA Pres.

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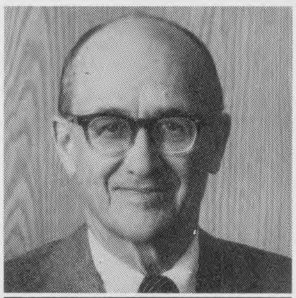
WHILE YOU'RE AT THE CONVENTION, PUT US ON YOUR MEETING LIST.



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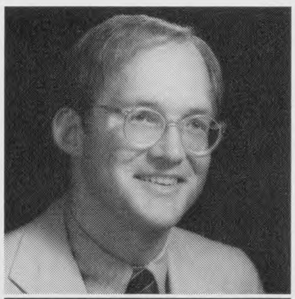

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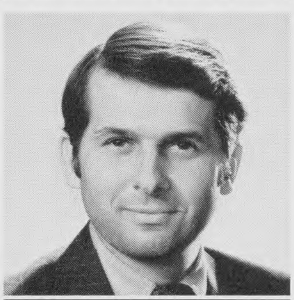
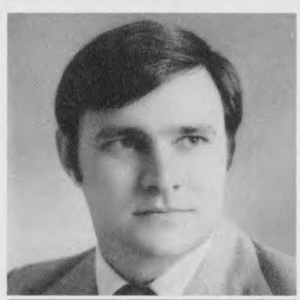


John Henderson



Tom Steffens

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MID-CONTINENT BANKER

(Incorporating MID-WESTERN BANKER)

Volume 79, No. 5 **May, 1983**

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FEATURES

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Convention Calendar

May 18-20: ABA Corporate Planning/CFO Joint Seminar, Chicago, Hyatt Regency O'Hare.
May 18-20: Kansas Bankers Association Annual Convention, Topeka, Downtown Ramada Inn.
May 19-21: Missouri Bankers Association Annual Convention, Kansas City, Crown Center Hotel.
May 22-25: ABA National Operations/Automation Conference, Miami Beach, Fla., Miami Beach Convention Center.
May 22-25: Robert Morris Associates Financial-Statement Analysis Workshop, Baltimore, Baltimore Hilton.
May 22-25: Tennessee Bankers Association Annual Convention, Nashville, Opryland Hotel.
May 22-27: Bank Marketing Association Essentials of Bank Marketing School, Boulder, Colo., University of Colorado.
May 22-June 3: Bank Marketing Association School of Bank Marketing, Boulder, Colo., University of Colorado.
May 28-June 2: National AIB Leaders Conference, Washington, D. C.,Sheraton Washington.
June 2-3: Consumer Bankers Association Bank Productivity Workshop, San Francisco, Sheraton Palace Hotel.
June 5-10: Louisiana Bankers Association Bankers School for Supervisory Training, Lafayette, University of Southwestern Louisiana.
June 5-17: Stonier Graduate School of Banking, New Brunswick, N. J., Rutgers University.
June 9-11: Association of Bank Holding Companies, Annual Meeting, Nashville, Opryland Hotel.
June 9-11: Illinois Bankers Association Annual Convention, Chicago, Chicago Marriott Hotel.
June 9-12: New Mexico Bankers Association Annual Convention, Albuquerque, Four Seasons Motor Hotel.
June 12-16: ABA Corporate Securities Workshop, Chicago, Hamilton Hotel.
June 14-17: Indiana Bankers Association Annual Convention, French Lick, French Lick Springs Resort.
June 15-18: American Safe Deposit Association National Education Conference, Green Bay, Wis., Downtowner Best Western.
June 20-21: Minnesota Bankers Association Annual Convention, Minneapolis, Hyatt Regency Minneapolis.
June 20-22: Wisconsin Bankers Association Annual Convention, Milwaukee, Hyatt Regency Milwaukee.
June 22-25: Michigan Bankers Association Annual Convention, Mackinac Island, Grand Hotel.
June 26-29: Bank Administration Institute Strategic Planning, Denver, Fairmont Hotel.
July 10-15: ABA National Agricultural Bank Management School, Ames, Ia., Iowa State University.
July 10-16: ABA Business of Banking School, Norman, Okla., University of Oklahoma.
July 17-23: ABA National/Graduate School of Bank Card Management, Norman, Okla., University of Oklahoma.
July 23-24: Consumer Bankers Association Micro-Computers in Banking, Charlottesville, Va., University of Virginia.
July 24-Aug. 5: Consumer Bankers Association Graduate School of Retail Bank Management, Charlottesville, Va., University of Virginia.
July 27-30: Independent Bankers Association of America Seminar/Workshop on One-Bank Holding Company, Boston, Radisson Ferncroft Hotel.
July 31-Aug. 6: ABA Business of Banking School, Ithaca, N. Y., Cornell University.
Aug. 7-12: Central States Conference Prochnow Graduate School of Banking Postgraduate Course, Madison, Wis., University of Wisconsin.
Aug. 7-13: ABA Business of Banking School, Ithaca, N. Y., Cornell University.
Aug. 7-20: Central States Conference Prochnow Graduate School of Banking, Madison, Wis., University of Wisconsin.
Aug. 10-12: Central States Conference Prochnow Graduate School of Banking Seminar for College Faculty, Madison, Wis., University of Wisconsin.
Aug. 14-19: ABA National School of Real Estate Finance, Columbus, O., Ohio State University.
Aug. 14-26: ABA National Trust School/National Trust Graduate School, Evanston, Ill., Northwestern University.

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

Publishing Call-Report Data on Nonperforming Assets

A RECENT ABA poll of bankers found 92% either "strongly" or "somewhat" opposed to the FDIC's proposal to make information on nonperforming assets more than 90 days past due public on call reports. Only 1.6% "strongly" favored the proposal, 5.4% were "somewhat" in favor and 1% expressed no opinion. The regulation takes effect on June 30.

It's interesting that the ABA didn't ask shareholders and large depositors of banks (those with more than $100,000 in deposits) for their reactions. I would guess the numbers would be reversed for large depositors and investors, though probably the bulk of the citizenry has never given thought to the subject or read a call report.

"Banks would prefer not to provide disclosure, but, in their need to raise capital, they weighed the disclosure tradeoff against their need and voted to be listed on major exchanges."

One of the world's largest banks, headquartered in England, received an inquiry from an academic historian about the banking practice of a viceroy to India who lived several hundred years ago. The academic was trying to verify certain records obtained from other sources. The British bank's response was that it never discussed the accounts of any of its customers, even if they had been deceased for centuries!

To a similar, but not identical, degree, such practices prevailed in the U.S. before 1933, when, as a reaction to numerous corporate failures, including banks, accompanied by subsequent disclosures of questionable practices, the Securities & Exchange Commission and the Securities Act of 1933 came into being. The federal government wanted to make sure that people who were asked to invest in public businesses would not be given false information and would have sufficient information to enable them to make rational decisions.

About that time, while working at the largest bank in the U. S., I noted its stock wasn't listed on the New York or any other stock exchange. I asked an officer about this. His frank answer was that exchanges required information prior to listing and the bank didn't feel it was in its best interests to comply. This attitude was prevalent at almost every large bank. Note that it wasn't the federal government that insisted on information, but privately run exchanges.

Today a good number of bank HCs are listed on national or regional exchanges and provide compliance to disclosure rules. The reason is simple: Banks would prefer not to provide disclosure, but, in their need to raise capital, they weighed the disclosure tradeoff against their need and voted to be listed on major exchanges.

As a result of the Securities Act of 1933, an interesting phenomenon has developed: a world-wide interest of investors in American securities. I once spoke to a distinguished European professor who said the major reason European, African and Asian wealthy people were interested in investing in American securities was that U. S. firms provided greater disclosure than did those of other nations. He was more willing to accept financial statements of American firms subject to SEC and New York Stock Exchange disclosure requirements than statements of firms in his own country.

About 1977, Bank of America developed a voluntary disclosure code that opened its operations to public scrutiny. The bank's logic was that its business was the public's business. Its management stated it thought disclosure was the best inhibitor to misconduct.

At that time, few banks were confronted with the amount of nonperforming loans banks are saddled with today. If the topic of disclosure were to be raised today at the Bank of America, the response probably would not be what it was when the bank developed its disclosure code.

Bankers, as a group, almost unanimously believe the public will not understand the significance of disclosed data about nonperforming assets. They foresee misinterpretation followed by overreaction to the media's treatment of information about past-due loans.

Bankers also are concerned that disclosure is limited to their sector of the financial-institution industry. They want it to be applied equally to S&Ls, which, for the most part, are in worse shape than banks. S&Ls are known to be deeply in the red and thus are candidates for liquidation or assumption. Yet they aggressively advertise for deposits and offer rates in excess of what commercial banks can offer. This practice has resulted in funds being taken out of sound institutions and deposited in insured, but insolvent, institutions, often for long periods of time.

"... Bank of America developed a voluntary disclosure code that opened its operations to public scrutiny. The bank's logic was that its business was the public's business."

Bankers are disappointed that the Federal Home Loan Bank Board is not following the lead of the FDIC in requiring its members to report the status of their nonperforming assets.

With more than 90% of bankers opposed to making information on nonperforming assets public, it's embarrassing to note that there exists a tremendous amount of mis-communication on what information already is disclosed by banks. Publications such as "A User's Guide for the Uniform Bank-Performance Report," the "Uniform Bank-Performance Report Peer-Group Report," and per-

(Continued on page 17)

Executive-Search Firms Say:

Commercial Lenders Most Wanted; 'Hot Spot' Remains in Sun Belt

WHAT currently is the story on bank personnel or human resources? What category of banker is most in demand? Where are the "hot spots" in the nation, those areas where opportunities are greatest? What salaries are being offered? Is the hiring rate up or down from a year ago?

In an effort to obtain answers to these and other questions on personnel, MID-CONTINENT BANKER editors surveyed various executive-search firms. These companies, sometimes called "headhunters," were candid in their answers and provided what we hope will be valuable information to our readers.

As could be surmised from the lending situation in many banks and as a result of recent failures of two large banks due mostly to bad loans, one of the most sought-after persons is an experienced commercial lender, especially one with loan-workout experience.

This was borne out by Susan Smith Dixon, president, Smith/Larson Corporate Search, Inc., Oklahoma City, who says that with regard to demand for bank personnel in the executive category, the strong need appears in the general-lending ranks — from general commercial lenders with strong credit skills, loan-review and credit-administration executives to debt-restructure personnel. She points out that the "workout man" remains in high demand (but is in low supply) because any financial institution that was at all aggressive over the past several years has credits that necessitate either restructuring or, in the worst form, liquidation of assets.

According to Linda Blue Smith, president, Tom Hagan & Associates, North Kansas City, 1982 may have been the year of the "freeze" or at least "frost" for bank-employment opportunities in midwestern *metropolitan* areas. Stressing that her comments apply to her regional firm's trade area, Ms. Smith says layoffs and hiring freezes (some selective) were quite prevalent for many major banks in 1982. Those hardest hit were middle managers on the retail side. Employment for installment and real estate loan officers still is extremely soft, she indicates.

The first quarter of 1983 has brought a strong market for CEOs with "clean-up" experience, Ms. Smith continues. Senior lenders who can handle workout or problem loans also are much in demand. In addition, she adds, an operations officer with a strong accounting background who can double as a controller has a good market with community and rural banks.

There appears to Ms. Smith to be a greater demand for personnel in community and rural banks, but the majority of these openings represent replacements, not additions to staffs. Selective additions to staffs are being made by those banks that weathered the recession without a large percentage of problem loans and poor earnings.

Demand is about equal among various categories of bank activities, with the exception of consumer/real estate lending, says John S. Dean, vice president-bank/financial recruiting, S-H-S International of Wheaton, Inc., Wheaton, Ill. Even in those categories, he continues, there seems to be a modest pickup in interest. Commercial lenders always are in demand, and currently there is emphasis on individuals with experience in middle-market and asset-based lending. Mr. Dean notes there's a steady demand for experienced auditors and controllers, and trust departments are looking for skilled investment managers and business-development people.

According to Carol Park, banking specialist, Fanning Personnel, Kansas City, the biggest demand today is for seasoned commercial loan officers with formal bank training. Loan-workout experience, she says, makes an executive even more attractive, and banks that never have had loan review departments are actively recruiting loan review officers.

In the operations area, says Ms. Park, banks are seeking candidates with strong diversified operations experience who are familiar with data processing and asset/liability management.

Donald N. Hanak, CPC, president/chief headhunter of the Arizona firm, Dunhill of Phoenix, Inc., reiterated the demand for commercial loan officers, in his case those with four or more years' experience in the $27,000-$36,000 range. He adds that opportunities are not in the vice-president or

'Quality' Bankers Needed

The job market for entry-level personnel/middle managers still is tight, but competition for experienced commercial-bank personnel is increasing. S&Ls, credit unions and other quasi-financial institutions are aggressively seeking commercial bankers to fill both operational and lending positions.

Continued specialization and sophistication of bank functions will demand a college-educated individual with strong administrative and communications skills to fill future middle- and senior-management positions.

More organizations will develop a long-range human-resource plan and implement a program to attract, train and maintain individuals to meet that plan. Quality is "in" with employers.

—Linda Blue Smith
President
Tom Hagan & Associates
North Kansas City

assistant-vice-president category, but offer jobs promotable to such.

Mr. Hanak says there also is increased demand in two other categories. One is branch managers for independent banks in California. Salaries are between $30,000-$40,000, and the individuals must have both commercial- and consumer-lending backgrounds. The other category, credit analysts and auditors, has just become "active," according to Mr Hanak. Salaries range from $28,000 to a high of $36,000 for three to five years' experience.

Not only commercial loan officers, but real estate loan officers and top operational people for executive management are wanted, says Jim Whitworth, senior vice president-banking, Omnisearch, Fort Worth.

Clients of T. Don Clark Personnel Services, Inc., Fort Worth, according to David Farmer, need the following: middle-market commercial lenders with good business-development skills; construction lenders with strong experience in interim-construction lending; loan review officers with good commercial-credit skills; loan recovery officers with heavy experience; strategic planners with financial-institution experience and executive and professional lenders who have ability to deal with professionals as well as with up-scale borrowers.

On the other hand, the biggest need by banks throughout the Midwest is for qualified agricultural lenders, says Malcolm Freeland of Freeland Financial Service, Inc., Des Moines, Ia. The demand far exceeds the supply, and he believes this is because there are a lot of problem loans brought on by the current recession.

Mr. Freeland says other areas of strong demand include asset/liability managers, commercial lenders and trust/investment people.

Areas where there is low demand, continues Mr. Freeland, include installment-lending and operations positions. He believes this situation has evolved because "more women have entered the operations area, and they are inclined not to move — probably because of family ties."

Still another "wanted" category was reported by Ray E. Makalous, partner, Accounting & Financial Careers, Inc., Overland Park, Kan. Mr. Makalous says the area of greatest demand and, consequently, shortage of supply, is for personal trust officers with four to 10 years of profitable trust-department experience. Following closely on the heels of trust officers in the shortage category, he continues, are commercial loan officers with workout experience.

Penn Square 'Fallout'

One of the biggest news-making events in banking during 1982 was the failure of Oklahoma City's Penn Square Bank last July. Did this failure affect the hiring situation in Oklahoma and, if so, how? Here's what Gary D. Koehn, president, Koehn & Associates, Inc., Oklahoma City, has to say:

"The collapse of Penn Square Bank in this immediate market had an effect during late summer and early fall of 1982; and whereas there still are some former Penn Square officers in the market, they are not having a major effect in the current market. Many of these people still are employed with the FDIC during liquidation (of Penn Square) and feel they can be more selective . . . so long as they are guaranteed employment with the FDIC."

In general, says Mr. Koehn, demand in Oklahoma for bank executives has softened somewhat because of the general state of the economy, but, at the same time, demand has remained at a reasonable level for two reasons: 1. Increased activity in new bank charters within the state, more specifically in the Oklahoma City and Tulsa areas. 2. Many banks had made some poor employment decisions during the "boom" years and now are searching for better-quality executives as replacements for the poorly chosen employees. The strongest demand, according to Mr. Koehn, is in the commercial-lending area, which includes lending officers, loan reviewers, workout specialists and lending-division heads. He fully expects this demand to remain the same into the last half of 1983, when demand for officers in other banking areas should increase.

"Hot Spots." In an executive-search survey made last year by MID-CONTINENT BANKER, the Southwest, or so-called Sun Belt, was the "hot spot" for bankers, the place to go for jobs. Does that still hold true?

Ray Makalous of Accounting & Financial Careers has noticed some softening in the "hot spots" of Oklahoma and Texas. His firm is seeing an increase in demand for bankers in communities under 100,000 population in the Midwest.

David Farmer of T. Don Clark Personnel Services maintains the banking marketplace in the Sun Belt continues to remain strong, particularly in Texas. He says hiring did slow down in the last three months of 1982, but has picked up substantially in the first quarter of this year and compares favorably with 1982's first quarter.

The Southwest and Midwest are the "hot spots," according to Jim Whitworth of Ominsearch.

"Despite cries of economic despair from the Southwest that the 'energy boom is over and times are tough,' that area still seems to be enjoying a better economy than others," says Carol Park of Fanning Personnel. "However, throughout the Midwest as far as Illinois, we are seeing banks expand. Part of this seems to be attributed to passage of laws allowing multi-bank holding companies."

John Dean of S-H-S International believes life-styles in the Sun Belt and Rocky Mountain area still exert a strong pull on bankers contemplating relocation. However, he adds, jobs available in those areas are not expanding as rapidly as in the past, and demand is only slightly stronger than in the North and East.

Gary D. Koehn, president, Koehn & Associates, Inc., Oklahoma City, says he doesn't know any real "hot spots" in the U. S., but the Oklahoma and Texas markets probably have remained stronger than most.

According to Donald N. Hanak of Dunhill of Phoenix, the "hotbed" of activity seems to be spread evenly in the Southwest, Midwest, Southeast and Rocky Mountain area.

Salaries/Inducements/Hiring Rate. Salaries being offered and paid, says Gary D. Koehn of Koehn & Associates, are in direct relation to the size bank; i.e., larger bank — higher salary; medium bank — medium salary, etc. With many new charters in his state of Oklahoma, he has seen many below-market salaries being offered for officers of these banks being chartered. The reason given is that these institutions can't afford competitive salaries, but, as Mr. Koehn adds, "I wonder if they can't afford not to pay competitive salaries."

He says the hiring rate is down because of the economy, and, as a result of the economy, loan losses are up and income down, causing many banks to be cautious in hiring more than the bare necessities.

Some fringe inducements still are being offered to the much-needed, quality executives, according to Mr. Koehn. However, at levels below executive management, fewer fringe inducements for lesser amounts are being offered. He gave this example: Front-end bonuses that were being paid during 1981-82 will be more difficult to negotiate, or banks will be less willing to lend assistance in purchases or sales of existing homes. Those wanting to make changes during 1983, he

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believes, will find fewer inducements available than were offered in recent years.

The hiring trend and volume of new orders for 1983 are quite encouraging, says Linda Blue Smith of Tom Hagan & Associates. Although it's still a selective marketplace, she points out, many bankers seem to feel much more positive than before about the future.

Ms. Smith went on to say that the employer of a top-notch executive has been more willing to consider new fringe benefits to attract or keep this level of individual — executive incentive compensation, stock options, guaranteed purchase of a residence, bonus, etc. As she puts it, "We never have found payment of full relocation expenses for a senior officer to be a problem."

With the drop in interest rates, she says, bankers are much more willing to relocate. The thought of disposing of real estate does not seem to be the deterrent it was in 1981-82.

Susan Smith Dixon of Smith/Larson Corporate Search sees hiring as down from a year ago. Most institutions, she points out are "trimming the fat" by slimming existing staffs. This is attributable to several things, including the general shape of the economy and inherent downturn in loan demand. On the operational side, says Ms. Dixon, many Oklahoma banks are becoming more sophisticated in computer systems as opposed to manual procedures, thus lowering the number of required personnel. Additionally, she has found that hiring in medium-sized banks is greater than in large banks, especially in the lending-area range of $30,000-$50,000.

Fringe inducements offered by banks to upper-echelon executives range from paid location expenses (inclusive of mortgage-rate assistance in the form of signing bonuses), bonuses based on performances of employees and performances of banks (return on assets and return on equity), signing bonuses of $2,000-$5,000 that are not tied to mortgage assistance, as well as autos and country-club memberships.

In some instances, says Ms. Dixon, banks retain the services of a firm like Merrill Lynch Relocation to buy an executive's house in his city of origin and also pay closing costs on purchase of a new home. She points out that it is becoming easier, in general, to relocate executives as the mortgage rate continues downward.

Several survey respondents maintained the rate of hiring is up over a year ago. Among them is Malcolm Freeland of Freeland Financial Service, who attributes this to problem loans and the necessity to document all loans fully, requiring extra man-hours.

As for salaries, Mr. Freeland says ag lenders command the following: minimum, $18,000; medium, $26,000, and senior ag lenders, $36,000. A few senior ag lenders, he adds, receive as much as $40,000-$43,000. The smaller banks, according to Mr. Freeland, usually have a top scale of around $32,000, and city-correspondent banks will run up to around $40,000.

On the subject of mobility, Mr. Freeland says the spouse frequently is a major influence, and this affects small community banks in particular because it often is not possible for the spouse to get a job in the smaller towns. For example, he says, the man might be offered a job in a bank, but his wife cannot get a job as a teacher or registered nurse, and this affects the couple's total income. In some instances, he believes, the wife actually is making more in her job than the husband can make in the bank, and so the couple will not move.

Carol Park of Fanning Personnel says that during the first quarter of this year, she has seen an increase in bank hiring. This increase seems to be due mainly to an improving economy and a need for banks to be more competitive and creative than in the past.

Salaries, according to Ms. Park, vary greatly, depending on bank size and specific responsibilities. Generally, commercial lenders with formal training and three-plus years on the platform are seeing salaries from $35,000-$75,000. Loan-review salaries are in the $35,000-$45,000 range, and cashiers/controllers are starting at $30,000-$50,000.

"Some banks," says Ms. Park, "are moving away from highly structured salary practices. An increasing number of banks are compensating some of their personnel on a commission basis. For example, some commercial lenders are paid a base salary plus a percentage in the form of a year-end bonus, which is based on profits of their personal portfolios. The amount of the bonus is based on the difference between the revenue from the loan and expenses of obtaining and servicing it."

On the subject of relocation, Ms. Park says applicants today appear to be more mobile than in recent years, with lower housing interest rates being an obvious factor. While it's highly unusual, she goes on, some banks will buy the former home of the new executive. Many pay all moving expenses and house-hunting trips for the spouse. Some banks, she points out, offer a low interest rate for the new home, while others offer "up-front" money to defray expenses or higher mortgage payments. Still other banks will pay the new executive an extra sum of money over a two- to-five-year period to defray higher mortgage expenses.

"It is rare," says Ms. Park, "to see a senior position offered that does not include a car, country-club membership and even profit sharing."

John Dean of S-H-S International of Wheaton sees the hiring rate in banks locally as being about the same as last year, although requirements for filling open positions have become more

Supply/Demand of Bank Executives

By John S. Dean

John S. Dean is vice president, bank/financial recruiting, S-H-S International of Wheaton, Inc., Wheaton, Ill. This is an executive-search firm that conducts recruiting for clients in the extended Chicago metropolitan area.

From the standpoint of hiring in banks, the supply of executives is a "good news/bad news" situation. The good news is that there is a large number of applicants for every job opening. The bad news is that a high percentage of applicants are minimally qualified by current standards.

Increased competition and a difficult economy have forced the banking industry into a serious re-evaluation of its staffing requirements. Many banks have been upgrading job specifications for executive positions and releasing or reassigning incumbents who don't meet high standards. This process has added large numbers of marginal candidates to a job market that currently is extremely quality conscious.

On the demand side, the bank executive looking for a new position will find there also is good news and bad news. For the smart, aggressive banker who has kept his professional skills finely honed, the good news is a healthy demand for his services. For the banker, particularly in middle management, who has grown comfortable and complacent, the demanding nature of the current market is bad news indeed.

stringent than before.

Banks, he continues, continue to pay actual moving expenses and finance a trip or two for the husband and wife to house hunt. Extra inducements such as large relocation bonuses, purchase of a former home, mortgage differential, etc., Mr. Dean reports, still are reserved for higher-priced executives ($75,000 and up in salary). The exception to this rule, he adds, is for large banks located away from major metropolitan areas where new executives must be brought in from other communities. In these cases, relocation benefits may be broadened considerably.

"We have found an increase in our recruiting activity for chief-executive-officer and executive-vice-president positions compared to a year ago," says Ray Makalous of Accounting & Financial Careers. "Activity for middle-level officers has remained constant. There has been a significant reduction in demand for entry-level-trainee-officer positions. We believe the increase in demand for upper-level positions has resulted from increased bank-ownership changes and pressure on profitability of banks during the period of deregulation. Reduction in trainee positions, we believe, is a result of cost conscientiousness of banks."

As to fringe inducements, Mr. Makalous says that for top-notch qualified executives, he finds stock ownership to be the prime fringe inducement. Ownership packages are offered in a variety of methods, including outright purchase, stock options, employee stock-option plans, etc. Responsibility and authority, he says, still remain more important than benefits.

Mr. Makalous also points out that in spite of the lowering of home interest rates, he has found bankers tending to be less mobile than some other professional groups. Especially strong resistance to relocations seems to be evident in metropolitan areas. Often a banker in a rural community, says Mr. Makalous, realizes he must relocate to advance his career, while a banker in a metropolitan community hopes to improve his career with a local relocation. Additionally, banks have not been as progressive as some other industries in offering attractive relocation packages, which Mr. Makalous describes as mortgage differential, purchase of a home, temporary-housing allowance, etc. However, he adds, he sees a trend toward liberalization of benefits in these areas.

With regard to salaries, Mr. Makalous doesn't see a relationship between salaries and bank size. As he put it, "Salaries do tend to be higher in remote rural areas."

According to Jim Whitworth of Omnisearch, money and opportunities are reasons to relocate, but wives and families are a big factor in whether bankers decide to move.

In the salary area, Mr. Whitworth says large banks offer $50,000-$65,000 a year; medium-sized banks offer a $40,000-$50,000 range, and smaller banks offer $30,000-$40,000.

Mr. Whitworth also says hiring is up from last year because of holding-company growth and increase in new-bank charters.

An increased hiring rate was noted, too, by Donald Hanak of Dunhill of Phoenix, who attributes it to lower interest rates, more consumer spending and S&Ls moving rapidly into the commercial-loan area.

Smaller banks, he says, are getting competitive in offering salaries that will attract good employees. Bank personnel, he adds, seem to be amenable to relocation *if* they can sell their homes. On the other hand, banks — from a real-estate standpoint — don't relish the idea of assisting a new hire. "It seems ridiculous," he says, "since banks are in the real-estate business. And it also seems foolish not to 'get involved' if they want to hire a No. 1 employee."

What Lies Ahead? In the opinion of Gary Koehn of Koehn & Associates, this year should be a better year for banks wanting to employ quality executives.

"The quality individual," he continues, "still will be difficult to locate, but I see less competition for the same individual. Where the executive who desired a change in recent years might have had four or five offers to consider, they might have only one or two during 1983. Beginning salaries and salaries in general will soften somewhat during 1983, because I don't believe we will continue to see the large growth in salaries witnessed during the last couple of years. Employers and recruiters as their representatives will need to do a better job of recruiting and selecting, being careful not to employ a candidate seeking a change because he contributed to loan losses or over-budgeted operations. Quality recruitment and employment always have been necessary, but more so during 1983."

In her look ahead, Ms. Dixon says, "It appears the caliber of banker is becoming more professional. As we 'shore up' many financial institutions with sound credit/loan administration and lending personnel, we see the level of ability becoming more sophisticated."

Ms. Dixon points out that the number of college graduates who choose banking as a career has decreased, while demand for such individuals has increased. Thus, as she puts it, "We are not feeding a satisfactory number of individuals into the system. Consequently, banks are searching outside their specific environment for that person with strong analytical skills. A classic case of supply vs. demand that has not yet begun to even itself out."

"Many bankers," in the opinion of Ray Makalous of Accounting & Financial Careers, "are eager to find people who have creative ideas to introduce in the deregulated environment. Other bankers, however, seem to desire the consistent, traditional 'nuts-and-bolts' banker. It is apparent to us that there is a place for both types of bankers in the current marketplace."

Finally, here's what Donald K. Inderlied, consultant, Personnel Consulting Services, Inc., Erie, Pa., has to say about banking's future: "The banking industry, or as it's becoming more widely known, the financial-services industry, is undergoing dramatic shifts in the areas of technological change, deregulation, increasing consumer sophistication, increasing competition, etc., just to name a few. These changes have or will have a dramatic impact on type and caliber of personnel hired to staff institutions, but, more specifically, the type of individual needed to manage the financial-services industry now and into the foreseeable future. This can involve a dramatic shift in emphasis as to skills, decision-making ability and management style of individuals than traditionally have run the banking/financial-services industry.

"It will require individuals who are adaptive to change; that is to say, have the ability to anticipate and take advantage of change rather than be threatened by it; individuals willing to take risks, albeit calculated risks; have the ability to differentiate between alternatives to develop strategies responsive to the market. Most importantly, it will require individuals who can provide the degree of leadership necessary to consistently reinforce strategies of the organization and to instill within individuals staffing that organization a dedicated sense of direction." — **Rosemary McKelvey, editor.**

Dramatic Personnel Changes Seen In Financial-Services Survey

MORE dramatic changes in the financial-services industry than any comparable period in modern history! That's the conclusion reached by Personnel Consulting Services, Inc. (PCSI), Erie, Pa., as the result of a personnel-trends study taken last year. The survey was the first such made by the firm in six years.

This special study of "Emerging National Patterns and Practices in Personnel Management" is based on survey replies from 353 financial institutions. Of these, 211 were from commercial banks and 142 from S&Ls. Respondents range in size from $10 million to more than $16 billion in assets and represent 44 of the 50 states.

Number of employees in participating institutions range from 10 to 3,000+.

According to a report issued by PCSI, these are major highlights of the survey:

- Merit-based salary-increase programs are most popular, with 1981 average increases ranging from 7%-9%.
- Over 90% of survey respondents utilize some form of formal salary-administration system.
- A majority, 81.9%, of participants review salary grades at least once a year.
- A majority, 80%, used salary surveys. Users of such surveys were most dissatisfied with lack of promptness of survey results and job matching.
- Only 10.2% of respondents have begun to address the "comparable-worth" issue.
- In addition to base pay, 47% of banks have some form of executive compensation.
- Cash remains the most common form of incentive-reward pay-out.
- A cafeteria-style benefit program is being used or anticipated by 15% of the banks and S&Ls.
- Automated human-resource-information systems (HRIS) now are used or are expected to be used by 46.5% of the banks.
- Turnover remains in excess of 20%, although a slight decrease is noted from 1980-81. Tellers remain a high-turnover classification.
- No bank or S&L reported union-organizing activity in its institution or in its respective area at the time of the survey.
- Sixty-two percent of the banks and 21% of the S&Ls have automated teller machines; 23% participate in some form of shared network.
- No clear trend has emerged regarding servicing ATM networks.

Conclusion: Some clarification of survey points is required, the firm points out. In the salary-increase area, the survey indicated a 7%-9% average adjustment. Most experts in the field today, continues the firm, indicate a significant decrease in merit-percentage adjustments since the beginning of the year. Whereas early estimates were for merit increases to average 9.5%+, actual numbers are more like 7.5%-8.5%. This is consistent with indication in the PCSI 1982 compensation-of-bank-officers survey.

In the area of union activity, says PCSI, although no one reported specific activity at the time of the survey, there have been subsequent reports of activity in several parts of the country.

"Future Shock." In reporting its survey results, PCSI makes this forecast: "The future will bring a more service-oriented industry to this country. We are turning into an information society. In terms of the work force, the following trends are emerging: a more knowledgeable work force, one conscious of its rights and conscious of its rewards for working for a particular institution; more special-interest groups and a more participative management style. All these things will have to be balanced in the 1980s."

The PCSI report also points out that with a more knowledgeable and more sophisticated work force, the need to communicate an organization's philosophy, goals, objectives and programs becomes increasingly critical. The challenge of communication will be to make and keep an employee an integral part of the team.

"What, then, are employees looking for from their organizations?," PCSI asks. Its answer: "They want fair treatment, a pleasant place to work, a chance to achieve their highest potentials and salaries commensurate with their abilities. ● ●

Staff Reductions Made At BancOhio, Columbus

Because of recent changes brought about by deregulation, BancOhio, Columbus, has escalated its planned reduction of full-time employees. In late February, the bank placed 3% of its statewide work force on permanent layoff, reducing the number of employees to just over 5,800.

Employees affected by the adjustment will be eligible for reemployment, based on individual eligibility, as positions become available through normal attrition. BancOhio is conducting a special program of job-placement counseling to assist laid-off employees.

The bank, with the largest retail-service network in the state, has for some time been streamlining its delivery system to provide more cost-effective and efficient service.

Personnel Practices, Problems Revealed by Banks Participating in MCB Survey

Most Difficult Jobs to Fill: Officers, EDP Personnel

TELLER is the category of personnel most sought after by banks, but officers and data-processing personnel are the most difficult types of personnel for banks to recruit.

These and other facts were reported by 34 banks from 14 Mid-Continent states in a personnel-recruitment survey conducted recently by MID-CONTINENT BANKER.

Other generalities from the survey tabulation:

- Few banks have changed their hiring practices due to increased automation.
- Almost all participating banks seek new employees from the "outside."
- About half the responding banks make use of "headhunters."
- A slim majority of banks seek help from other banks in obtaining new employees.
- Employee-referral programs are in use at half the banks.
- Moving expense is the category mentioned most by banks that assist new employees adjusting to new locations.
- Most banks operate with full-time personnel departments or maintain one-man departments on a full-time basis.
- Walk-ins is the number-one method of obtaining new employees.

The following questions were asked on the survey:

1. What category of employee do you find hardest to fill?

Some category of officer was listed by 13 banks, data-processing people by seven banks and three banks each mentioned senior-management personnel and secretaries. Four banks said they had no difficulty filling any position — primarily because they experienced little turnover.

Low salary structure was listed most often as the reason positions are difficult to fill. Other reasons: small labor pool in the bank's area, lack of technical expertise on the part of applicants and qualified applicants snapped up by other types of industry.

2. How has the growth of automation in banks (including use of ATMs) affected your bank's hiring practices?

Fifteen banks replied there had been no effect from automation (some of these banks are not automated). Seven banks responded "very little effect" and five banks said automation has slowed down the hiring process because ATMs have eliminated some teller positions. Some bankers said the automation situation demands more expertise on the part of employees and applicants with needed expertise are difficult to locate.

3. What category of employee is most sought after by your bank?

Ten banks responded with "tellers." Other categories (in descending order): bookkeepers, part-time tellers, officer trainees, secretaries and clerical. A number of banks didn't list any category — they were seeking workers who would put in a day's work for a day's pay!

4. Do you sometimes seek employees — particularly for top-management posts — from outside your bank and/or outside your area?

Almost every bank (29) said "yes" to this question! Reasons for doing so include: local population is small, the bank is seeking a specific background in an employee, it will get fresh ideas from an employee from another area, back-up people at the bank are not trained well enough to take over a higher-level position when it opens. One banker said "It's difficult to raise your own qualified employees!"

5. Do you ever use an executive-search firm?

Eighteen of the banks responded in the affirmative; 16 in the negative. Some banks said they use an employment pool set up by their HC. Those using "headhunters" stated they did so because that was the only way they could fill some positions. Another said it uses headhunters as a last resort. One banker stated: "Yes, but we don't like to. Experience with people referred by search firms has been poor. We like to hire successful people who are satisfied in a current job but will move to a new challenging opportunity with us."

6. Do you ever seek help from other banks in obtaining new employees?

Seventeen banks responded "yes" to this question, while 15 said "no." Several banks said they rely on their correspondent relationships to secure employees. Others said they let the word be known that they are seeking employees and the word gets to where it should go.

A banker in Illinois said: "We occasionally get the word around to other bankers that we are looking for a certain position to be filled. They, along with our correspondent banks, sometimes supply excellent leads."

Another Illinois banker: "In our area, we have a good grapevine and know who's looking."

More than one banker said his institution never seeks personnel from other local banks; they prefer to use newspaper ads to get applicants.

An Indiana banker said he sometimes exchanges job orders with personnel directors of other banks, but usually for positions that are difficult to fill.

7. Do you have an employee-referral program?

Respondents were evenly split on this question. Seventeen have them (although some are informal) and 17

don't have them. Some banks that don't have formal programs don't need them — their employees let them know when a good applicant is available.

A Kansas bank announces job openings at its staff meetings and encourages employees to make referrals.

Some banks pay for referrals — as much as $200 per referral that results in a new permanent employee. Other banks give savings bonds or smaller amounts of cash.

The personnel director of a bank in Mississippi wrote: "We ask our employees to refer good prospects regardless of openings. We look for quality people and match them with current or future requirements. This sometimes creates temporary overstaffing, but pays big dividends in the long run."

A banker in Kansas wrote: "We do not encourage employees to refer people — usually friends and relatives — because (1) EEO objectives may suffer and (2) employees in the same family are not encouraged because of nepotism policies."

Along the same line, a banker in Arkansas says: "Such a practice might be used against us in race/sex discrimination charges."

8. If you do hire someone from outside your area, what "extras" do you provide, such as moving expenses, incentive compensation, help with selling one home and finding another?

Moving expenses are provided by 21 of the responding banks, but only six banks help out with finding/financing/selling homes at either end of a move. Six banks provide no "extras," primarily because they have not hired anyone from outside their areas.

One banker in Missouri wrote: "The bank provides sub-prime-rate loans and no principal payments on new homes until the employee's previous home is disposed of."

A bank in Michigan provides "a complete relocation program including a three-year mortgage-rate differential."

A few banks reported that they help a new employee find a house, but don't help with the financing.

An Oklahoma bank provides up to 120 days' temporary lodging for a new employee while he/she is looking for a home.

Another Oklahoma bank is willing to provide up to 15% of the first year's salary to help with relocation expenses.

9. Do you have a personnel or "human-resources" department whose main job is to handle everything connected with hiring/firing and handling personnel problems? Or does one of your officers handle personnel in addition to other duties?

Twenty-four banks have a department or an officer doing full-time personnel work. Nine banks delegate personnel work to an individual who also performs other work. One bank said it had no personnel operation at all!

The following comments were submitted:

- From an $58-million bank in Missouri — "We have a full-time personnel officer who administers payroll, benefits and interviews/screens new employees. The hiring/firing of people is the direct responsibility of the supervisory person involved. They seek advice from the personnel officer."
- From a $570-million bank in Texas — "We have nine full-time officers and employees in the personnel/training departments."
- From a $200-million bank in Tennessee — "An assistant vice president/personnel is responsible for staffing, training, employee relations, benefits, salary administration, EEO and affirmative-action duties."
- From a $41-million bank in Kansas — "The personnel area primarily is handled by the assistant cashier from the operations area."
- From a $68-million bank in Missouri — "We have a specialized human-resources department at the HC level and one person within our bank handles the personnel function with the assistance of the HC."
- From a $500-million bank in Mississippi — "Our personnel department has a human-resources staff responsible for overseeing recruitment, selection, training/career development, performance evaluation, compensation administration and employee relations. Staff officers make customer calls but have no other banking duties."
- From an $80-million bank in Illinois — "We have two people — one female, one male — in the human-resources department. Both are involved in all exit interviews to avoid any discrimination problems. Both have other primary duties."
- From a $114-million bank in Illinois — "We have no separate department. We have a personnel officer who has a few other duties but pretty well handles the receiving of applications, interviewing, evaluation of personnel and explains fringe benefits to new employees."
- From a $75-million bank in Kansas — "One officer has the job of handling personnel along with other duties. He interviews applicants, then works with the head of the department needing help. After checking references, the department head interviews eligible prospects."

10. Where do you obtain most of your employees?

Sources of employees in descending order of frequency: Walk-ins (25 banks), staff referrals (17 banks), newspaper ads (10 banks), customer referrals (six banks), personnel agencies (five banks), headhunters (three banks). One bank recruits employees at a local college and a banker from Alabama states: "We knew their parents, we know their teachers, we know them!"

11. What do you consider the greatest challenge or problem facing banks today in the personnel field?

- The selection process to obtain trainable or qualified people who will fit our organization.
- Providing adequate training to employees who are seeking improvement and opportunity to advance.
- Maintaining productivity commensurate with compensation.

• Staying aware and keeping up with the rapid changes taking place — both in banking and personnel.

• To obtain and retain employees who possess the capabilities for long-range potential; to use them to the fullest advantage to meet the challenges we will be faced with during the '80s brought about by the many changes taking place in banking.

• Incentive-compensation programs and stabilizing the cost of benefits without reducing them.

• To maintain a non-discriminatory work environment that insures that like situations are treated consistently so there are few, if any, costly legal consequences or employee morale problems.

• To obtain motivated, qualified individuals at salaries that banks can pay.

• Instilling loyalty and putting the bank first in all transactions.

• Trying to avoid over-automation. We must learn to use machines to serve human needs, not to master them!

• Moving away from the old way of doing the job and involving the worker in achievement of the organization's goals. Communication is a problem because department goals have to be explained in a way that will encourage employees to want to be a part of something bigger and more important.

• Rebuilding a staff from a clerical, labor-intensive-oriented organization to one that can cope in a highly technical age.

• Retaining trained personnel.

• Inability to pay wages comparable to those paid by the private/government sectors.

• Lack of experienced officers.

• Complying with government regulations.

• Providing good training and educational programs to enable employees to keep abreast of the many changes facing financial institutions. Employees need to be well informed so they can anticipate and respond to the needs of customers. — **Jim Fabian, senior editor.**

High Level of Hiring Reported In Financial-Services Field

THE financial-services industry recruited one quarter of all senior executives during 1982, according to Korn/Ferry International's 44th quarterly National Index of Executive Vacancies. Listed under this industry are commercial banks, thrifts, investment banking firms and insurance companies.

"This high level of hiring," says Korn/Ferry's chairman, Lester B. Korn, "reflects the hotly competitive and rapidly changing nature of the financial-services field."

The index points out that demand for financial executives earning more than $75,000 a year rose to 26% of total executive demand by year-end 1982. This places it one point above the 1981 year-end figure and two points above 1982's third quarter.

"Demands for financial executives have continued and demand for senior-level executives has increased," says Windle B. Priem, managing director of Korn/Ferry's financial services division. "Since middle-management positions are remaining on hold, no dramatic economic changes seem imminent in early 1983. However, the diversified scope of commercial banking and other financial institutions throughout the country should offer new opportunities at many levels by mid-1983."

Headquartered in New York City and Los Angeles, Korn/Ferry International specializes in management search at the senior level.

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

Nonperforming Assets

(Continued from page 6)

formance reports of banks all include detailed analyses of loan-loss reserves and loan mix at commercial banks.

Anyone with $25 can obtain a raft of information along these lines. More information already is publicly available than that called for by the FDIC's call report; thus, one must wonder why more than 90% of bankers are opposed to disclosing what already is public information!

Few individuals would spend $25 for a peer report. Still, the information is widely disseminated in the investment-analysis community as well as among correspondent banks. If this information is easily obtainable by professionals, shouldn't the general public be privy to the information in a condensed, modified form?

The argument that the general public might misunderstand the information appears valid. However, I submit that the same argument could be used for most entries on the call report, entries that have been publicized for generations.

A disturbing thought: More than 90% of responding bankers were not conversant with the fact that "Uniform Bank-Performance Reports" are in the public domain! Banks are shortsighted in not drawing the most recent bank-performance reports about their competitors!

Since this information is offered by the Federal Financial Institutions Examination Council, representing federal regulators, information also should be made available by other types of financial institutions.

Banks are highly leveraged quasi-public institutions. In lending depositor's funds to borrowers, they would be remiss in not obtaining sensitive financial information from borrowers. Depositors — not withstanding FDIC insurance — should be able to have comparative information conveniently available, although most probably could care less.

It's natural for individuals and institutions to be reluctant to engage in disclosure. It also is true that some arguments raised against disclosure are valid, for the most part. The other side of the coin, however, is that a reasonable amount of disclosure should be in the public interest if it permits the marketplace, instead of regulations, to become the equating force. Every financial institution has an obligation now to start to educate financial reporters about the technicalities and costs-to-benefits of disclosure. • •

'Deferred-Fee Plan': A Way to Compensate Directors

By James C. Kauss
And
Jon J. Meyer

THE KEY to the future success of your bank is attracting and retaining high-quality executives. Your bank's most important assets are its employees, especially those in decision-making roles. Most executive-compensation programs are designed to attract and retain these key executives.

However, talented executives are not the only ones for whom there is an increased demand. We are seeing more and more competition for qualified outside members of boards. An interesting phenomenon occurring in the banking industry concerns new compensation programs to attract and retain high-quality outside directors.

There are several reasons for the increased competition for outside directors.

First, responsibilities and complexities of director functions are increasing rapidly. This increases the business expertise required of directors.

Second, legal liabilities of the board and its directors are increasing.

Third, there is a demand for new types of directors, including academics, professionals, females and minorities, to give the board a well-rounded quality.

As demand for qualified directors increases, their compensation typically follows. New types of compensation programs are being designed to attract qualified directors. This article discusses various forms of director compensation — both new and old.

"Under a deferred-fee plan, a director has the opportunity, on a year-by-year basis, to defer all or a portion of director fees. Election to defer can change annually, and participation in the plan is optional for all directors. Unlike IRA or Keogh plans, there are no maximum limits on amounts that can be deferred."

Inside directors. Typically, inside and outside directors receive separate forms of compensation. Historically, the banking industry has relied on sound base-salary and fringe-benefit programs to compensate their executives and their inside directors.

However, as banks are finding it more difficult to compete for executive talent, some of these programs are being enhanced or improved. More and more banks now are developing annual management-incentive plans (not to be confused with Christmas-bonus plans) to provide variable compensation in return for meeting predetermined objectives.

Recently, there have been considerable enhancements in the capital-accumulation (long-term compensation) area. A leader in this area is the new incentive stock option (ISO) created by the Economic Recovery Tax Act of 1981, which is being implemented by banks of all sizes.

Improved compensation programs in the banking industry will continue as competition for high-quality executives, including inside directors, intensifies. And the bulk of improvements will be in the areas of annual management-incentive and long-term capital accumulation.

Outside Directors. Compensation programs for outside directors are considerably different from those for inside directors. Whereas inside directors participate in salary, incentives, capital accumulation, benefits and perquisites, outside directors historically have had to rely on annual fees or meeting fees. However, just as there have been improvements for inside directors, we see some positive changes in compensating outside directors.

In the past, the banking industry has relied on three types of compensation elements for outside directors: annual retainers, meeting fees and, more recently, committee fees. In a recent Peat, Marwick, Mitchell & Co. survey of the Chicago-area financial industry, we found that many of the survey sample paid all three types of compensation, which is in contrast to the historic system of either annual retainer fees or meeting fees.

We also made two additional observations from the survey.

First, the size of outside director fees basically is related to bank size. The larger the bank, the higher the director fees. This concept is consis-

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tent with inside director's and other executive employees' compensation levels, which usually are proportional to the asset level of the bank.

Second, like compensation for inside directors and other employees, outside director fees are increasing every year. And we think they will continue to increase as competition for quality directors continues.

In addition to the historic forms of compensating directors, new approaches are turning up. One area receiving the most attention is that of deferred compensation.

Deferral of the tax bite is a universal problem, especially for those in the upper tax brackets. The federal government has helped taxpayers in this area by making IRAs (individual retirement accounts) available to all wage earners, even if they are covered under a qualified retirement plan, and by increasing the maximum limits under Keogh plans. Uncle Sam also eased the pressure to defer by reducing the maximum tax rate on ordinary income from 70% to 50%.

We believe that IRA and Keogh plans can prove beneficial and that such plans can be effective tax shelters for some directors. In the case of many directors, however, the problem we see is that only a limited amount of director fees can be deferred due to the maximum limitations.

As a result, a number of banks have begun to offer their directors deferred opportunities through a deferred-compensation program referred to as a "deferred-director-fee plan." This is a non-qualified deferred-compensation plan recognized by the Internal Revenue Service in Revenue Ruling 71-419 as a legitimate tax-deferral plan.

Under a deferred-director-fee plan, a director has the opportunity, on a year-by-year basis, to defer all or a portion of director fees. Election to defer can change annually, and participation in the plan is optional for all directors. Unlike IRA or Keogh plans, there are no maximum limits on amounts that can be deferred.

Amounts deferred under the plan are available to directors on their resignations from boards for any reason. In the event of a director's death, the deferred compensation is distributed to the designated beneficiary.

From a bank's standpoint, a key advantage of a deferred-director-fee plan is use of the directors' cash during the deferral period, since such a plan is unfunded. In turn, directors' deferred fees are credited, on paper, with interest at some predetermined rate during the deferral period.

(Continued on page 48)

Banks Not Keeping Up With Industry In Compensating Outside Directors

BANKS have a long way to go to catch up with industry in compensating outside directors. Although banks appoint more outside directors than industry, they lag in fees paid and other types of payments commonly awarded board members.

So concludes Meidinger, Inc., a Louisville-based consulting firm in management of human/financial resources. It bases the above opinions on a directors' compensation survey, which was done as part of Meidinger's annual survey of compensation practices at the top 200 banks in the U. S. The banks were identified in the "Annual Scoreboard of 200 Banks," published by *Business Week*.

According to the survey, financial institutions pay outside board members less than manufacturing and non-manufacturing companies — in annual retainers, per-meeting fees and committee compensation. However, Meidinger says, a greater percentage of financial institutions pay both an annual retainer and a per-meeting fee.

The survey also showed that while cash compensation was the most widely used method of payment, banks are offering other benefits as part of the compensation package. Among those benefits are the option to defer all or part of their cash compensation, group-travel insurance, reimbursement of meeting expenses and liability insurance. A small number of banks offer retirement plans, the survey shows.

Meidinger points out that forms of outside-director compensation usually consist of one or more of the following:

- Annual retainer.
- Per-meeting fee.
- Committee-meeting fee.
- Committee-chairman fee.

Annual-Retainer Fee. These payments ranged from $1,000 to $15,000, with a median of $4,500. Of the top 200 banks surveyed, 17% don't pay annual retainers to outside directors.

Per-Meeting Fee. Fees paid outside directors for attending board meetings ranged from $75 to $1,300, with a median of $350. Fourteen percent of the top 200 don't compensate directors for attendance at board meetings.

Committee-Meeting Fee. These fees ranged from $75 to $1,000, with a median of $300. Only 12% of the top 200 banks don't compensate outside directors for attendance at committee meetings.

Methods of Compensation. Although cash compensation remains the most prevalent method of compensating directors for their services, says Meidinger, additional elements are continuing to be incorporated as a part of the total compensation package for outside directors. They are:

- Deferred compensation.
- Benefit Plans — group travel insurance; matching educational or charitable donations; accidental death/dismemberment insurance; group life insurance; group medical/hospitalization insurance; pension plan.
- Reimbursement of meeting expenses.
- Directors/officers liability insurance.

Deferred Compensation. Meidinger points out that an increasing number of companies are offering outside directors the option of deferring all or part of their cash compensation. Eligibility generally is limited to outside board members. Deferral options range from requiring the director to defer all compensation or none to allowing the director total discretion in his election. Many companies credit the deferred-compensation account with interest, rates of interest being equal to various economic indices.

Over-65 Directors. Until two years ago, says Meidinger, deferring compensation until retirement had some drawbacks. Directors' fees and other self-employment pay were considered current earnings when paid regardless of when they were earned and, therefore, reduced social security benefits.

This offset no longer is applied if the amounts were earned before retirement. However, it continues if the fees are earned after retirement. Therefore, the social security payment is reduced for any director over 65 currently taking fees. As a result, continues Meidinger, many directors over 65 are deferring their fees until they reach age 72, when there no longer is a reduction for current earnings.

As demands for "professional" directors increase in all sectors of business, Meidinger believes it will be necessary for banks to revise their board-compensation practices. It would appear that banks not only will have to adjust fees upward, but will have to offer greater diversification in payment methods. • •

Employee-Assistance Program Is Popular Fringe Benefit for Bank's Employees

Full-Time Counselor Serves 2,000-Member Staff

AN EMPLOYEE-assistance program (EAP) was initiated at Citizens Fidelity Bank, Louisville, in mid-1981. The following interview with its coordinator, Ken Thompson, vice president, provides insights into the purpose and benefits of the program.

* * *

MCB: Why did Citizens Fidelity start an EAP?

Mr. Thompson: Because bank management realizes that employees are the bank's greatest resource. Often personal problems are manifested at work in job dissatisfaction, illness, absences, tardiness, low job performance — even accidents. So, in addition to a human concern for the welfare of each member of the staff, Citizens Fidelity believes that personal problem-solving is good business.

MCB: What's the primary purpose of EAP?

Mr. Thompson: To provide a simple and effective method for those who need help to find it. Participants may initiate their own contact or be referred by fellow employees or their supervisors. The personal lives of all employees are their private business, so participation in our EAP is both voluntary and totally confidential. No record of contact, counsel, referral or treatment is entered in personnel files or divulged to anyone.

MCB: What's the history of employee-assistance programs?

Mr. Thompson: Such service programs began in the early 1940s when the nation's workforce experienced all the changes and demands of the war years: added shifts; women entering the workforce; husbands, fathers and boyfriends gone to war; national security at stake; shortages; demand for increased productivity, and day care for children of working mothers.

Those were the days when Alcoholics Anonymous began to gain recognition and when the malady of stress became widespread.

Many of those conditions are again present. The only things new about our current problems are the smaller-size family unit and the number and complexity of the substances being abused.

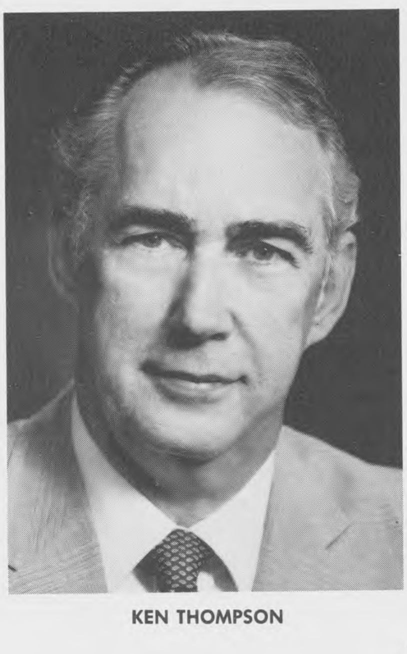
MCB: What is the bank's main benefit in providing this service?

Mr. Thompson: In addition to reduced absenteeism and the other things already mentioned, the most measurable benefit is reduced health coverage utilization! Medical expenses have been out of control. The typical mind-set today is: "I don't have to take care of my body; there'll always be a doctor around to fix it up. And since I have medical insurance, it won't cost me anything." This attitude has resulted in Americans paying a $300-billion annual medical bill. Citizens Fidelity's part is more than $1 million each year for its nearly 2,000 employees.

MCB: How does EAP help the bank contain medical expenses?

Mr. Thompson: It promotes greater productivity and eliminates waste by teaching exercise, nutrition, relaxation techniques and stress management. The bank has a "quiet room" — an employee lounge with panoramic decor and the sounds of rain, wind, waves, etc., piped in via stereo. Life is complicated today and our lifestyles reflect this. It's been estimated that as much as 70% of all illnesses are stress-related.

Many EAPs are concerned only with alcohol abuse. We have fashioned our program to be holistic, concerned with the total well being of individuals: physical and mental health, lifestyle, habits, exercise, diet and personal problem-solving.



KEN THOMPSON

Naturally, when stress is eliminated from an individual's experience, he's less likely to need medical care, which has a direct result on the bank's medical-expense outlay. In the past 12 months, when we could have expected a 20% increase in medical-coverage cost, we have stemmed this rise, even though we have covered more employees and rates have increased!

MCB: What is the policy of Citizens Fidelity's EAP?

Mr. Thompson: It's simple. The program is voluntary. All information is confidential. Employment and promotion are in no way jeopardized by participation.

The program consists of free, accessible and totally confidential help; problem and need identification; and counseling or referral to any number of pre-screened local resources.

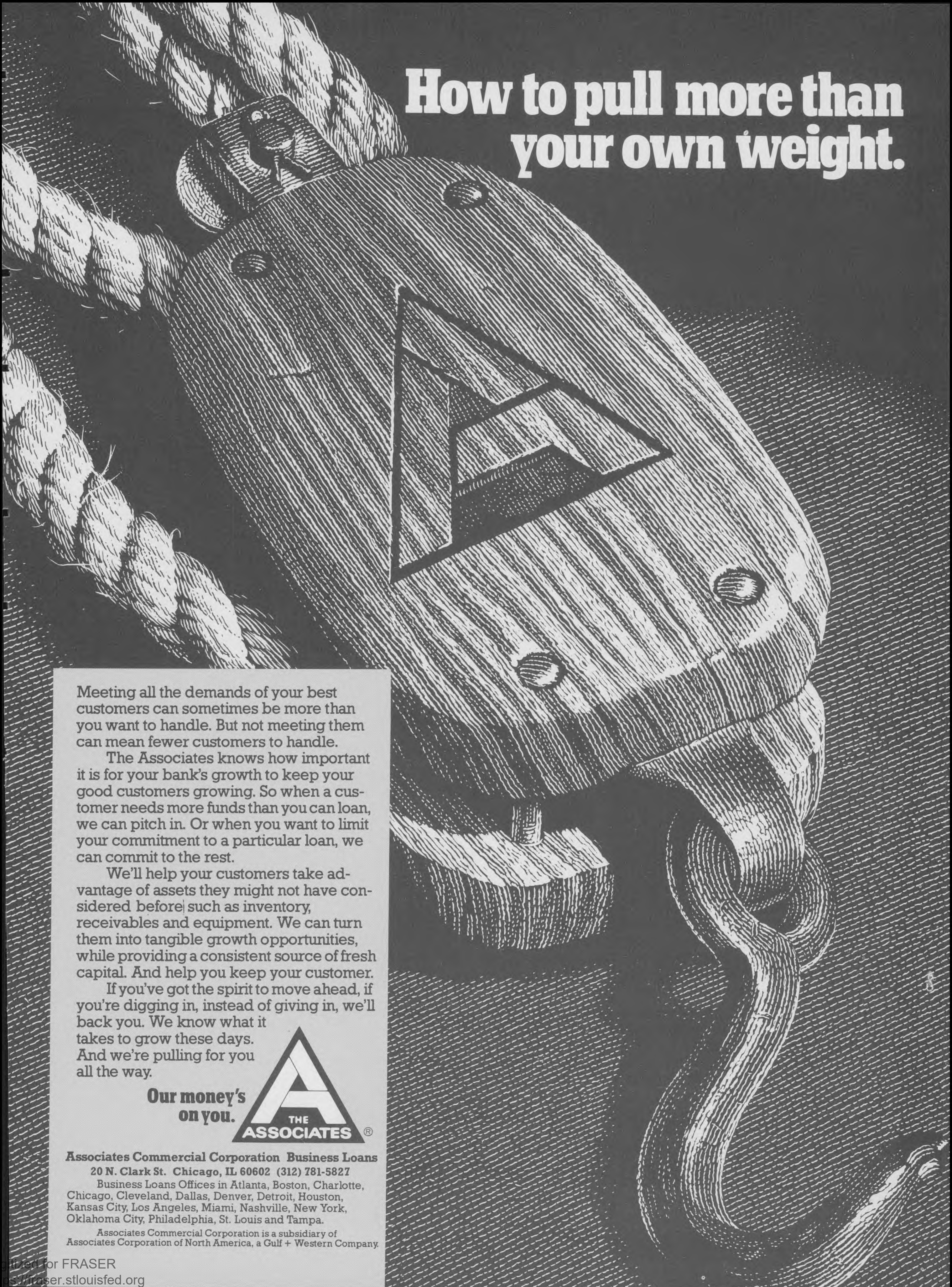
MCB: What are the other aspects? You mentioned a holistic approach.

Mr. Thompson: In the information area, we conduct noontime "brown-bag" programs for employees. Recent topics have included single parenting and two-career couples. A local professional with topical expertise makes these presentations.

We distribute pamphlets on various topics. We obtain them from local hospitals. We reproduce them and use them as payroll stuffers.

We have a lending library. Employees can sign out books on bed wetting, child rearing and jogging, to give a few topics. Our library serves as an outreach feature — it encourages employees to come in to seek information and from there they often arrange for counseling.

In the area of continuing programs, we will start a pre-retirement-planning program this year. We have conducted sessions on stress management and half the bank's staff has attended the three one-hour sessions on their own time. A new course is planned on stress that's to be titled "Stress Revisited." It will include values clarification and behavior modification. And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we're also providing a course on household money management. Lastly, on a continuing basis, we have a self-administered program for employees who choose to quit smoking and need help with their resolution.

In the health area, we have offered major health screenings for such things as hypertension, hearing, diabetes, glaucoma, etc. The EAP wellness effort, together with a revised health plan with built-in wellness incentives, brought measurable results in 1982. Last year our medical coverage included more people and yet the incidences of health claims were lower than the previous year. There were fewer employees hospitalized and the average length of hospital stay was reduced.

MCB: Are EAPs cost-justified?

Mr. Thompson: It's estimated that a firm can save up to $4 for every $1 it invests in an EAP, but this is difficult to measure. Certainly, the benefit from removing stress on the job is worth the financial investment. The number of EAPs probably has doubled in the last three years. Sixty percent of the Fortune 500 companies have EAPs.

MCB: Where is your EAP office located?

Mr. Thompson: It's right across the street from the corporate headquarters. That's a plus factor, because the further away such an office is, the fewer employees will take advantage of the service. It's a one-person office; no one sees anyone else who is there, since individuals enter by one door and leave by another.

MCB: Is the service limited to employees?

Mr. Thompson: No, their families are eligible.

MCB: How do you get employees to come to you?

Mr. Thompson: There are various ways to attract employees. Department supervisors are trained to detect employees with problems. Supervisors are encouraged to recommend that such employees visit me. But one of the best ways of attracting people is to post signs in restrooms calling attention to new or existing services our EAP offers. We place the signs on paper-towel dispensers.

MCB: What do these signs say?

Mr. Thompson: One is headlined "Personal problems are usually decisions waiting to be made." At the bottom of the sign is this question: "May I help?" followed by my name and extension number.

Another sign reads: "Work problems can be solved when shared. Let's talk it over." Other signs deal with money problems, stress and alcoholism. Each sign includes an invitation to come in and "talk it over."

MCB: How did you get involved in this service?

Mr. Thompson: I've been with the bank for almost 25 years in marketing and, as an avocation, I have had pastoral training and about 20 years of counseling experience. Over the years, employees would unofficially tend to look me up if they wanted to share a problem. I guess I inadvertently became an in-house chaplain!

A few years ago, I suggested to our management that a program be formalized and cited medical coverage cost containment as sufficient justification.

The program was launched July 1, 1981, and the numbers support the wisdom of the decision. I have seen more than 17% of our staff on an individual basis since that time.

Employees see our EAP as an employee benefit and managers also see it as a management tool. ● ●

Liberty National Corp., Oklahoma City, has sold 500,000 shares of adjustable-rate cumulative preferred stock, Series A, at an offering price of $50 a share. The offering was underwritten by a syndicate managed by Merrill Lynch White Weld Capital Markets Group and Keefe, Bruyette & Woods, Inc.

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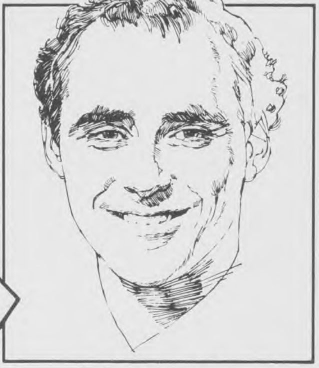

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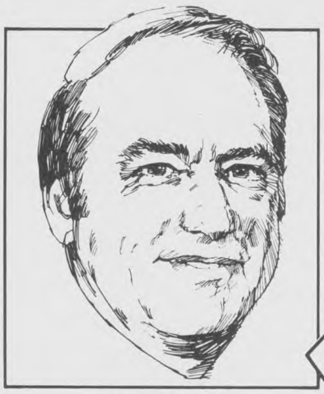

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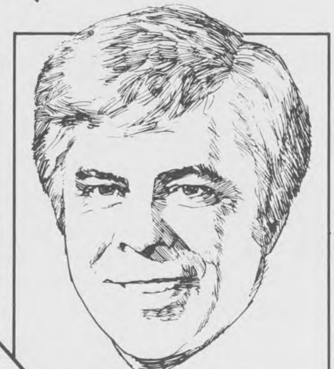

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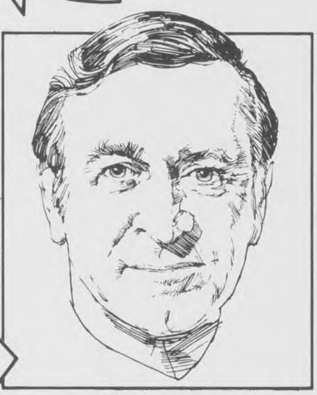

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Preemployment Screening Test Receives High Ratings From Banks Making Use of It

MORE THAN 200 banks are making use of a paper-and-pencil test designed to determine a propensity for dishonesty in individuals applying for jobs at banks. The test was introduced by the Bank Administration Institute a year ago.

Called Bank Personnel Selection Inventory, the test is designed to profile attitudes and opinions of job applicants in the areas of dishonesty, drug abuse and violent behavior to determine the risk of fraud or theft. Tests are administered on-site by bank personnel and scored within minutes over the phone by the BAI.

According to Kurt Elster, BAI human resources director, the test has proved effective for banks. One bank has used 2,000 tests in the year they have been available and reordering by many banks is increasing.

Among the values of the test, Mr. Elster says, is the fact that it determines which applicants are highly tolerant of theft, have a propensity for violence and are likely to be using drugs.

The test uses situational ethics to show trends toward dishonesty. Most people who are dishonest think that all people are dishonest; thus, they don't hide the fact that they have stolen from an employer, although they usually admit stealing only small amounts, Mr. Elster says. It usually can be surmised that an individual who steals at all will steal much more than he will admit to.

Conversely, most people who are honest think everybody is honest, he says.

The test measures the probability of honesty on a 0-100% basis. Anyone scoring below a cutoff figure — usually 70% — is not hired. A person scoring 80% can be considered to be one who would *not* steal eight times out of 10.

Mr. Elster says a score of 95% isn't considered vastly different from a score of 75%. Passing the test is what counts.

The BAI recommends that the test be administered as the last stage in the preemployment screening process. Reasons for this recommendation include the fact that tests are purchased by banks and it doesn't make sense to test any but final applicants. Most banks interview an applicant after an employment form has been submitted, administer the test and then make a final selection from those who have passed the test.

Mr. Elster says the test has been judged to be nondiscriminatory. No differences are detected in attitudes of minorities, although women sometimes are more truthful than men in answering questions. A major bank found that the test had no adverse impact on minorities.

According to Mr. Elster, primary reasons for using the BAI test are as follows:

- It's the most effective method known to screen out dishonest people. Most threats to banks come from the inside, not the outside. A reference check seldom does the job when attempting to determine the honesty of an applicant.
- Using the test sets a climate for combatting theft. Word gets around that the bank is acting in a responsible manner in regard to curbing theft. (The BAI recommends that the test not be given to individuals already on the payroll.)
- Use of the test signals management's concern about honesty among employees. They are less likely to spend time thinking up ways to defraud the bank if they realize management in concentrating on eliminating dishonesty.
- Difficult topics can be handled better with a test than with an interview. If an applicant were asked point blank if he stole from his employer in the past, the credibility of the interview would be destroyed.

It's interesting, Mr. Elster says, that banks have found that some applicants who have appeared eminently qualified to work at the bank have failed the test.

More than 50% of the applicants taking the BAI test at Manufacturers Bank, St. Louis, have failed it, says Charles H. Buxton, vice president.

The bank, which is located in an industrial area of the city, began using the test because it wanted to be more thorough in its employment screening. The bank has used between 50 and 100 tests.

Value of the tests was brought home recently when five new people were hired without taking the test. Two were discharged within the trial period due to propensity for violence. These two were asked to take the test after this propensity became evident and they failed the test. Now all applicants for jobs of teller level and below must take the test before they are hired.

The bank makes a practice of hiring off-duty policemen as security guards. One individual had worked in this position for some time. He retired from his police job and applied for a messenger job at the bank. He seemed a natural, since he was familiar with the bank and had been on the payroll as a part-timer for some time. But when he took the test, the results indicated a high propensity for dishonesty. He wasn't hired.

Management at Hoosier State, Hammond, Ind., appreciates the test, partly because it is much more convenient and less costly than the lie-detector-test procedure used previously in screening applicants.

The bank has administered nearly 50 tests in the past year and results have been in line with those achieved with the lie detector.

A bank spokesman says that every applicant who passed the test has worked out well, even though some who scored lower than the recommended cut-off number have been hired.

The test is being used by Heritage Racine Corp., a bank HC in Racine, Wis., as a means of tightening up procedures, says Gary Pape, vice president.

The HC has used more than 30 tests in the past year and every applicant taking the test has passed, although a few were borderline cases. Those few were not hired, but not because of their test scores, Mr. Pape says.

The HC gives the test to all finalists and expects to continue using them.

American National, Midwest City, Okla., began using the tests a year ago because things were happening around the bank that management couldn't account for. It was felt that a test of the type made available by the BAI would correct the situation, says John Wright, vice president/cashier.

Some of the 75 applicants taking the test so far have failed, he says. One who failed was an applicant for a custodial job. Mr. Wright says he was hired despite the low test score because he wouldn't have access to money, but it wasn't long before the bank's pens were disappearing! The custodian was dismissed after only a week on the job.

Mr. Wright says the test is valuable because it determines an applicant's attitudes before employment commences. It's not a cureall, he says, but it eliminates potential problems. He says the bank has experienced no problems with any of the applicants who passed the test.

"Unlike an interview," Mr. Elster says, "which is unsystematic and often subjective, the bank personnel selection inventory is a benefit to the honest candidate. It is fair because it submits all candidates to the same measurement. To the degree that fairness, consistency and equal treatment describe ethical hiring practices, this selection procedure is a step in the right direction."—**Jim Fabian, senior editor.** ●●

Job Openings Described by Bank Via Telephone 'Hot Line'

JOB OPENINGS at First Tennessee Bank, Memphis, are described via a telephone "hot line," which is open seven days a week, 24 hours a day.

This program, which went into operation in April, 1982, is termed a "proved success" by Norma Billings, employment specialist in the bank's employment services department. She says calls average 75 and sometimes more a day.

Not only does the hot line give vacancies and brief descriptions of the jobs, but also instructions as to when and where applications may be placed.

The bank advertises the hot line in the local newspaper, perhaps once a month, by noting it as a referral on its other ads. Advertising also is done in-house, at college-placement offices and other recruiting sources and by word of mouth by bank employees and/or applicants.

"We place a few job positions from each category, i.e., managerial, professional, technicians, clerical, etc., on the hot line," says Ms. Billings. "Our high-level positions have not been included.

"The hot line is convenient for the job seeker. We reach a much broader segment of the work force (public) with this means and feel our advertising expense has been well utilized."

In addition, she points out, "The amount of time saved by our assistants in answering inquiries about jobs has been tremendous. Therefore, they can be more productive in assisting us."

Other advantages of the program are pointed out by Ms. Billings: "The hot line is so much more convenient for the job seeker. He or she can call anytime and hear the recording. Our department also has reduced our advertising costs, and we really have reduced the time our receptionists spend on the phone answering questions concerning jobs."

According to Ms. Billings, the bank is in the process of fine tuning its hot line, perhaps by changing the recording and voices on it more often than it does now (weekly) as job vacancies increase and/or for a special announcement.

As many as 75% of all job hunters who go to First Tennessee for interviews, says Ms. Billings, have heard about the jobs from the hot line.

"Everytime we advertise a position," she continues, "we add the number of the hot line in case the job seeker would like information concerning other available positions. As a result, the word is spreading."

Personnel Administration Is Subject of New Book

"Banker's Guide to Personnel Administration," by C. Eugene Looper. Publisher: Bankers Publishing Co., 210 South St., Boston, MA 02111. Hardcover, 360 pages. $39.

This book is described as a complete program for managing personnel, written to be used by CEOs, senior officers, department supervisors and branch managers. It provides practical guidance on topics such as interviewing prospective employees, conducting performance appraisals, structuring training programs and increasing personnel productivity. The book also explains benefit programs, federal-reporting requirements, a job-classification system and a career-progression format.

Also included are supervisors' guides on how to use authority, analyze organization effectiveness and what to do if contacted by a union organizer. Sixteen sample policy statements cover almost every area, including education, probation, reimbursable expense accounts and personal work habits.

In addition, there are practical suggestions that can be used in any size institution on timing and size of merit increases, developing management talent from within, job-posting programs and how to audit personnel policies/procedures.

This comprehensive reference contains sample policies and forms, plus 70 job descriptions, all custom tailored for the financial industry.

The author is a former senior personnel officer at both Wachovia Bank, Winston-Salem, N. C., and Southeast Banking Corp., Miami; past director, Bank Administration Institute, Rolling Meadows, Ill., and chairman of the BAI's human resources committee and former chairman, ABA bank holding company personnel conference.

He holds an M.A. from Louisiana State University, Baton Rouge, a Ph.D. from Georgetown University, Washington, D. C., and currently is a lecturer in management/finance at the University of Miami (Fla.).

Reduction of Fear Is Critical To Productivity-Study Success

By William P. Sawyer Jr.
Vice President
Penquite & Associates
Dallas

REDUCTION of employee fear is critical to the overall success of any productivity study.

Since close observation of personnel is an important part of a productivity study, even the most secure employee could feel somewhat intimidated when under close observation. Employees will be internally — if not audibly — asking these questions: "What exactly is expected of me? Am I meeting those expectations? Are those conducting the study qualified to observe me accurately? Will my contribution be justly measured?"

If management doesn't adequately address these questions and their attendant fears, results of the study will be less than optimal. A pervading atmosphere of fear will substantially restrict those conducting the study.

Although fear sometimes is an effective motivator, it more often is a serious drag on performance. With excessive fear, clarity of thought and spontaneity of action generally are inhibited. Those being observed are more likely to work faster than normal and provide only information they perceive will put them in better stead with their supervisors. Their activity and response to inquiry may be less than honest. In view of this, a concentrated effort to reduce fear before and throughout the study is essential.

An analogy may be drawn between a successful productivity study and a successful speech. A professional speaker introduces his subject matter with an overview, elaborates on the overview in the body of the speech and summarizes what was covered in conclusion.

Every productivity study should begin with an employee meeting where the objectives, methods and expected results (including benefits to employees) are explained in detail. At that time, as many questions as possible should be answered.

During the study, periodic meetings should be held to keep employees posted on what progress has been made and to reinforce introductory information.

When the study is complete, a final meeting should be held to answer any remaining questions, to explain the conclusions of the study, the benefits to the bank and employees.

Why do most banks need productivity studies?

The most important reason is to achieve increased stability within an unstable banking environment. A productivity study should bring every department into line as functioning portions of a well-oiled machine. When each major department is functioning at optimal levels of efficiency, the entire bank can withstand much more environmental pressure.

Most experts predict that pressures of rapid change within the banking industry in this decade will result in a substantial reduction in the number of banks. Some have predicted the number to drop from today's 14,000+ to about 3,000. Banks with too much rust and corrosion — banks that haven't adequately prepared for the pressures of the '80s — will not survive. The future is much brighter for all parts of a well-oiled machine, for all employees of an optimally efficient bank.

Doesn't a productivity study generally result in more work demands on employees?

Not all employees. Some will do more work and some will do less. In most banks, a number of people are overworked and some are underworked. Those in the latter category often are nearly as exhausted at the end of the day as those in the former category. Boredom creates a tremendous amount of stress, promotes negative thinking and complaints about working conditions. To constantly look at a clock, wondering when the day is going to end, is stressful. To have to look busy when one is not is stressful. To feel that one's potential contribution isn't adequately being utilized is

(Continued on page 30)

Productivity Study Results in Salary Savings for Bank

THE BOTTOM LINE of a productivity study is the savings in salaries it can bring to a bank, says E. J. Heymans Jr., president, Bank of Menomonie, Wis. The bank employed Penquite & Associates to perform such a study in 1980.

Each department in the then-$30-million-asset bank was studied, and overworked and underworked employees identified. One employee was found to be putting in only four hours worth of work each day, although she was taking eight hours to do it. It wasn't the employee's fault, Mr. Heymans says, her job description was in error — it indicated the job was a full-time one when it wasn't.

The study revealed that some functions were being performed by departments least prepared to do the work. For instance, secretaries were performing some functions better suited to tellers. Without the study, such inefficient work situations would not have been detected. The Penquite representative suggested ways to perform the work more expeditiously and economically.

When the survey was about to begin, Mr. Heymans informed all bank officers. On the day the survey began, all employees were introduced to the Penquite representative. They were told no one would be fired because of study results.

The study revealed that the bank's bookkeeper was quadruplicating effort in her work by maintaining four complete systems for looking up accounts. Although there were reasons for such a system, the study revealed a way to eliminate two of the systems — and the time it took to perform them.

A year after the study was completed and recommendations implemented, the bank had an additional branch (making five) and had experienced a jump in assets of $5 million. But it had five fewer employees doing the work.

Today the bank has $50 million in assets, with only one additional employee on the staff. ● ●

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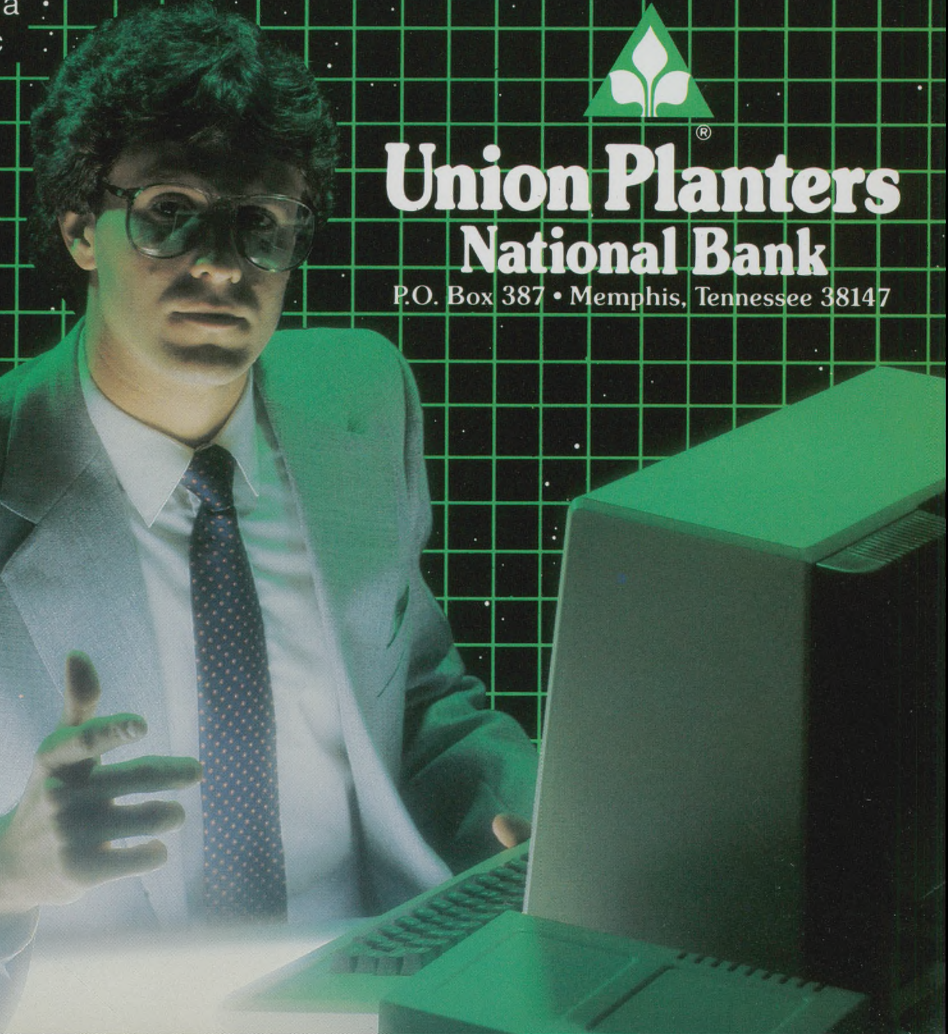

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"Other bankers couldn't believe how much we got for the price."

"When many of our banker friends visited us, they were amazed. One of them said, 'I came here expecting to be disappointed. I can't believe my eyes.'"

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"They didn't try to boss us around."

"We enjoyed an excellent working relationship throughout the project. HBE listened to our thoughts and responded to what we wanted to do. There was never any attempt to impose formulas or rigid sets of ideas on us. And we liked that."

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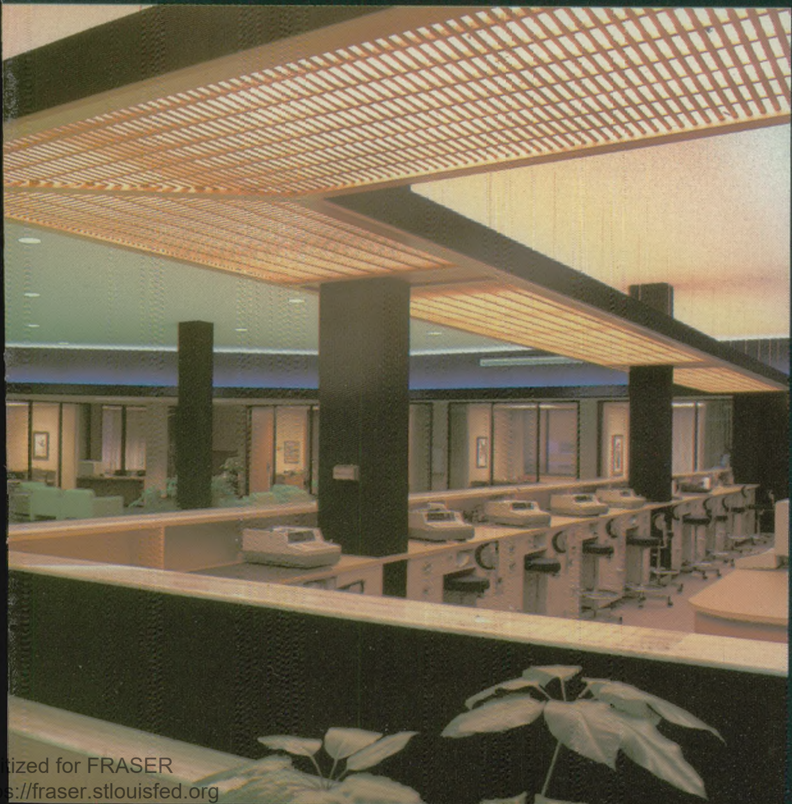
Henry Kinberger, president of Security 1st National Bank, is shown here in the lobby of their beautiful new facility planned, designed, and built by HBE.



stressful.

One result of an effective productivity study is better utilization of existing talent. Another is the equitable distribution of work. This is accomplished by thoroughly analyzing everybody's workload and establishing a reasonable level of productivity for each individual, taking into consideration the following factors:

- What the individual feels is a reasonable level of productivity for each major function performed.
- What the individual's immediate supervisor deems to be reasonable.
- Specific requirements of senior management.
- What the industry norm is for each major function performed.

Because "all work and no play makes Jack a dull boy" or Jane a dull girl — and certainly makes them less than optimally productive — the following factors also are considered:

- Sick time.
- Vacation time.
- Social time (coffee breaks, etc.)

Once the reasonable level of productivity is established, benefits to employees are numerous. The comfort of knowing exactly what is expected, the comfort of always knowing where one stands with regard to those expectations, the comfort of knowing that management is fully aware of each individual's contribution are all tangible benefits. The comfort of knowing that management has a fair, objective, and measurable means of performance evaluation is paramount.

Don't productivity studies sometimes result in people getting fired?

Sometimes, but not always. If, after equitable distribution of the work load is accomplished, it is determined that existing work can be handled by fewer employees, management may elect to remedy overstaffing through attrition. When someone leaves of his/her own accord, there is no replacement and work loads are appropriately redistributed.

In some cases, productivity analysts conclude that a bank is understaffed. Chronically overworked employees never are optimally productive. The fatigue and stress of an excessive workload can be the cause of numerous counterproductive errors.

Isn't the possibility of being fired a good reason to fear a productivity study?

The possibility of being fired always exists. When a productivity study reminds us of that possibility, it can be somewhat disconcerting. However, the possibility of being fired unjustifiably should be more disconcerting. When conducted in the way previously described, a productivity study will enhance justice.

Employees should be justly provided that which they deserve. Some deserve promotions and more money; some deserve to be fired. No one knows this better than those deserving promotions or firings.

Those who have been knowingly "goofing off" have good reason to fear a productivity study. Those who have been sacrificing their fellow employees, those who have not been conscientious about their responsibilities to their co-workers and to the bank will be justifiably exposed and dealt with.

Those who have been honestly doing their best, whatever they perceive their best to be, should have little reason to fear.

Before reasonable levels of productivity are established, substantial differences will exist in what is perceived as "reasonable." In many cases, people perform at substandard levels of productivity because they never were told what was reasonable. The person performing unknowingly at substandard levels is dealt with differently than the knowing "goof off." In only the worst cases are conscientious employees let go. Some banks are found to be so overstaffed that this is the unpleasant decision of management.

It's unrealistic to assume that any productivity study can be conducted with a total absence of fear. However, whatever amount can be reduced by supplying appropriate information certainly is worth the effort. Excessive employee fear restricts the accurate measurement of productivity. It promotes exaggeration and repression of information sought by analysts. It always results in employee morale problems.

How management answers employee questions and fears will vary with management style, goals and objectives. The value of reducing fear by answering questions remains constant. • •

Program Aids Retirement Planning

COMMERCE Union Bank, Nashville, offers its pre-retirement-age employees a two-day program designed to make the transition from life as a working person to life as a retired person go smoothly.

Pre-retirement seminars were initiated by the bank in 1979 to provide employees with an in-depth analysis of the impact of retirement on their lives.

The program was developed to stimulate employee's thinking on issues concerning retirement at a time when they can do some careful planning, says Dennis C. Bottorff, bank president.

Employees are given a look at their future retirement life and are provided with advice on planning for that period. Participants discuss a variety of retirement concerns, including financial planning, health, legal arrangements, social security and its impact, housing, use of time and other issues. They also talk with retired persons who share impressions of retired life.

The seminars are held once a year and are open to employees 55 and older.

ABA Regional Directors Elected for 1982-83

ABA regional directors have been elected for 1982-83. Those in the 17-state Mid-Continent area are:

Region II (Illinois, Indiana, Kentucky, Michigan and Ohio) — Donald R. Lovett, president/chairman, Dixon (Ill.) National. He is president, Illinois Bankers Association.

Region III (Alabama, Mississippi and Tennessee) — Donald T. Senterfitt, vice chairman, Sun Banks of Florida, Inc., Orlando.

Region IV (Arkansas, Kansas, Louisiana, Missouri, Oklahoma and Texas) — Joe S. Hiatt, president/chairman, American State, Charleston, Ark. He is a past president, Arkansas Bankers Association.

Region V (Minnesota and Wisconsin) — James T. Gowan, president, First National, Chaska, Minn. He is a past president, Minnesota Bankers Association.

Region VI (New Mexico) — Norman M. Dean, president/chairman, United Bank, Greeley, and chairman, United Bank, LaSalle, and United Bank, Brighton, all in Colorado. He is vice president, Colorado Bankers Association.

All directors will serve one-year terms and, in their new posts, are on both the ABA council and board. They are elected by banking colleagues in their regions who are ABA council members.

NEWS
About Banks & Bankers

INDIANA

Irwin Union, Columbus, has promoted H. Margaret Volland and Margaret S. Winchester to assistant vice presidents. Both are loan officers. Mrs. Volland joined the bank in 1956; Mrs. Winchester has been with the bank since 1978.

The Fed has approved the merger of First National, Mishawaka, and 1st Source Bank, South Bend, creating the fifth-largest bank in the state. Combined assets totaled $691 million at year-end 1982.

MICHIGAN

An agreement in principle has been reached whereby Comerica Inc., Detroit, would acquire all outstanding shares of Pontiac State. The agreement is subject to the necessary approvals. Pontiac State, with year-end assets of $555 million, operates 19 branches, predominantly in northern Oakland County.

John W. Ennest has been appointed executive vice president/chief financial officer, Citizens Commercial, Flint. Mr. Ennest, formerly vice president/director of corporate planning, NBD Bancorp and its principal subsidiary, National Bank of Detroit, will be responsible for the bank's financial planning, control and investment division as well as asset/liability management and long-range strategic planning. Mr. Ennest joined National Bank of Detroit in 1965 and served in a number of executive positions. In 1979 he took a year's leave of absence to serve as deputy administrator of the Farmers Home Administration.

John H. Turpish has been promoted to vice president-comptroller's division, National Bank of Detroit. He had served as second vice president in the division. Paul B. Visnaw has been named vice president/financial services. Mr. Visnaw was second vice president/information and operations services. David S. Williams has been appointed assistant vice president/ trust.

At Manufacturers National, Detroit, Michael D. Boutell and Michael R. Main have been promoted to vice presidents/legal department. James C. Hammersmith has been named second vice president/account officer-Michigan banking. Mr. Boutell joined the bank in 1972 and was named second vice president in 1979. Mr. Main, who joined Manufacturers in 1972, has been a second vice president since 1979. Mr. Hammersmith joined as an account officer in 1982. Formerly, he was affiliated with City National and Community Bank, Washtenaw.

William P. Wilde has joined Comerica, Detroit, as first vice president/product management. Before going to Comerica, Mr. Wilde was group product manager with Chesebrough-Ponds, Inc., Greenwich, Conn., Barbara H. Cole has been promoted to vice president/personal trust, Comerica Bank-Kalamazoo. Christopher J. Dembek has been named vice president-personal trust, Comerica Bank-Detroit, and Gilbert B. Rodger has been appointed vice president/personal banking, Comerica Woodward-14 Mile Road office. Jocelyn E. Bennett has been named assistant vice president/information systems; David O. Taylor has been appointed assistant vice president/corporate communications, and Denise S. Dziuba has been promoted to assistant vice president/ information systems, Comerica Inc.

Judith L. Bedford has been elected assistant vice president/controller, Peoples National, Bay City. She joined the bank after six years as audit supervisor, Ernst & Whinney.

As a result of the merger between Old Kent Financial Corp., Grand Rapids, and Pacesetter Financial Corp., also of Grand Rapids, B. P. Sherwood has joined the Old Kent organization as senior vice president, Old Kent Financial Corp. and Old Kent Bank. He will have responsibility for Pacesetter-West of Grand Haven, Gaylord State, State Bank-Petoskey, First of Cadillac, Central Michigan-Big Rapids, Fremont, Peoples-Holland, Pacesetter-Southwest of Niles and Pacesetter-Cassopolis. In addition, he will be chairman, Pacesetter-Grand Haven. He has been president/CEO, Pacesetter Financial Corp. since 1980. Thomas D. Wisnom is rejoining the organization as senior vice president, Old Kent Financial Corp. and Old Kent Bank. He comes from Peoples Bank, Trenton. Mr. Wisnom will have responsibility for Peoples-Trenton, Almont Savings, Pacesetter-Southeast of Grand Blanc, Pacesetter-Owosso, Hillsdale State, Brighton State, Pacesetter-Lansing and Pacesetter-Grand Traverse. He will remain as chairman, Peoples-Trenton.

Martha R. Seger, former Michigan commissioner of financial institutions, has been elected to the board of Comerica, Inc., and Comercia Bank-Detroit. A financial economist with experience in business and banking in both public and private sectors, she currently is self-employed as an economic and financial counselor and is on leave from her position as associate professor of economics and finance at Oakland University.

MINNESOTA

Ronald M. Bosrock, group vice president, American National, St. Paul, has been named president of the Minnesota Consular Corp. for 1983-84. The Minnesota Consular Corp. is an association of foreign consuls — some full-time diplomats and some honorary consuls — who represent 22 countries throughout the state. Mr. Bosrock is honorary consul for Austria.

Northwest Bancorp, Minneapolis, offered $50 million of 11% five-year notes through Salomon Brothers, Inc. The notes were offered for sale under a $250-million shelf registration that became effective in September, 1982. Proceeds of the offerings will be used as required for general corporate purposes, including investments in or advances to existing or future subsidiaries.

Minnesota School of Banking Announces New Curriculum

Curriculum for the 1983 Minnesota School of Banking, to be held June 26-July 1 at St. Olaf College, Northfield, has been updated to reflect substantial industry changes occurring over the past year. Increased emphasis in three key areas — marketing, operations and banking law — reflects the rapid changes in the profession, says Truman Jeffers, school director and executive vice president, Minnesota Bankers Association.

While the school has been expanded in these key areas, most of its core curriculum has been retained. Highlights include a series of management case-study exercises and a computer-simulation game where students are asked to assume the role of president of a $13-million bank they are to run for two years.

Classes for the 1983 school will be reduced from 90 to 60 minutes, and the first- and second-year students will be encouraged to have more one-on-one contact with the faculty.

At Northwestern National, Minneapolis, David M. Nash and Todd L. Parchman have been named senior vice presidents/domestic banking. Daniel G. Brian and John C. Sandvig have been appointed senior vice presidents/international banking. Mr. Nash was vice president/head-retail, wholesale/transportation division. Mr. Parchman was vice president/head-energy/natural-resources division. Mr. Brian, who has been vice president/manager, Latin American-division since 1979, will be responsible for the Latin American-division and the U. S./Canada divisions. Mr. Sandvig, who was vice president/regional manager of the U. S./Canada division, will be responsible for Asian, Middle Eastern, African and European territories, the New York Edge Act office and international customer services.

William K. Stern has been named manager of First Bank Minneapolis' St. Anthony Falls office. Mr. Stern has been assistant vice president/commercial banking for the past three years.

At National City Bank, Minneapolis, John F. Crinklaw has been elected senior vice president/credit and deposit management. He has been with National City since 1971. W. Randall Payant, assistant vice president, has been named head, group B-commercial/industrial relations. Mr. Payant has worked at the bank since 1979.

Darin P. Naryana has been appointed to the newly established position of senior vice president/manager-financial institutions banking group at Northwest Bancorp, Minneapolis. The group is one of four created as part of a corporate-wide reorganization. The other three are consumer banking, agriculture and commercial banking. Mr. Naryana has been senior vice president/international banking at Northwestern National Bank, the corporation's lead bank, since 1980.

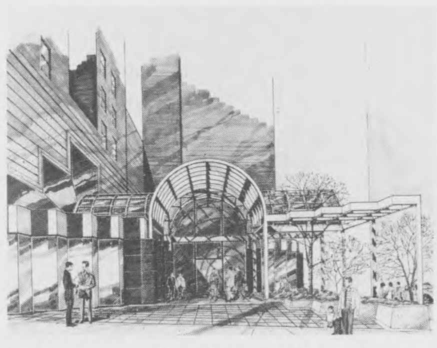
Northwest Bancorp has appointed Jennifer Freeman vice president-asset/liability management. She was vice president/manager-asset/liability division, Northwestern National, Minneapolis. Transferring with her from the bank are William Breesman and David Wheaton, asset/liability-management analysts. Joining the group from the treasury staff is Stephen R. Kaufman, financial analyst.

The Minneapolis Fed has approved the application of Fergus Falls Bancshares, Inc., to become a bank HC through acquisition of Security State, Fergus Falls.

OHIO

Construction Started On Huntington Plaza

COLUMBUS — Huntington National has begun construction on a new plaza area that will link the existing bank building with the planned Huntington Center. The center, a 37-story complex scheduled for completion in mid-1984, will serve as headquarters for the bank. It will feature four atriums and an exterior of rose-colored granite with floor-to-ceiling windows of bronze-tinted glass. Incorporated in its design are energy-saving features and safety systems.



Entryways to Huntington Plaza feature arched-glass canopies.

The plaza is designed to complement the center and will include a one-story structure with street and concourse levels. Retail shops and restaurants will be located in the plaza. Open lattice work, trees and shrubs will adorn the arched-plaza entryways.

When the plaza and center are completed, the Huntington complex will occupy most of the north portion of the block bounded by Broad, High and Front streets. Access to the plaza will be from Broad and High streets.

"There will be a connecting entryway, lined with additional retail space, from the plaza into an expanded lobby in the bank building," explains Huntington Chairman/CEO Frank Wobst. "From this expanded lobby, escalators will lead to the second-story walkway into the new Huntington Center."

Provision also has been made for eventual incorporation into proposed connecting walkways throughout the downtown area.

All entrances to the retail plaza will have a uniform look, using arched-glass canopies. "This will put a new 'face' on the entire corner," says Mr. Wobst, "one we believe will be aesthetically pleasing."

Materials used will include limestone as well as black and red granite. The present north side of the bank will be resurfaced to closely resemble the front of the building's exterior. The main banking hall, designed by Tiffany Studios, will be preserved.

Huntington National has been located across from the State Capitol since its founding in 1866 and has occupied its present headquarters since 1924.

The planned changes will have a positive impact on downtown development, according to Mr. Wobst. "Broad and High historically has been the hub of downtown Columbus," he notes. "We propose to return it to that place of prominence by creating a beautiful new and inviting look, plus retail shops at the heart of downtown Columbus activity."

The plaza is expected to be completed by the end of the year.

Worth W. Wilson has been elected senior vice president/employee relations, Toledo Trust. Mr. Wilson has served as vice president/employee relations since joining the bank in 1978. Gary P. Arntz has been named vice president/marketing. He joined Toledo Trust in January, coming from First National Charter, Kansas City, where he was assistant vice president/

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The Central Trust	Cincinnati	Mellon	Pittsburgh	Trust Company of Georgia	Atlanta
First Interstate	Los Angeles	National Bank of Detroit	Detroit	United Virginia Bank	Richmond
Manufacturers Hanover	New York			Wachovia	Winston-Salem

marketing director. John C. Moore has been promoted to vice president/training and development. Mr. Moore began his career at Toledo Trust in 1964 and has been assistant vice president/director of training since 1979.

Bank Cosponsors Seminar On Business Development With Local Group

Discussing business-development seminar are (l. to r.): Dell L. Duncan, AmeriTrust e.v.p., branch administration; Tony Proscio, sec./program director, Local Initiatives Support Corp., and Charles W. Zawadzki, v.p., community relations, AmeriTrust.

More than 70 directors and staff members of Cleveland development corporations attended a free business-development seminar cosponsored by AmeriTrust and Local Initiatives Support Corp. (LISC). The two-day event was held at AmeriTrust headquarters.

LISC, a private, New York-based, nonprofit organization, has generated more than $35.6 million in donor commitments and other contributions for low-cost loans and grants to local development corporations since its inception in 1980.

AmeriTrust is one of the Cleveland-based corporations and foundations to raise nearly $1 million matched by LISC national funds to carry out projects of local development corporations.

The seminar was coordinated by Charles W. Zawadzki, AmeriTrust vice president-community relations, and Tony Proscio, secretary/program director, LISC.

Attorney Paul Feinberg conducted a workshop on legal and tax considerations in economic development; Professors Robert Mier and Wim Wiewel, Center for Urban Economic Development, Chicago, discussed effective strategy for economic planning; Henry Doll, associate director, Gund Foundation, Cleveland, described considerations of private foundations in awarding grants to local development corporations; AmeriTrust branch-administration personnel John Ringenbach, Robert D'Andrea and Bill Robinson gave a detailed outline of necessary ingredients for a sound financial proposal; and Professor Jeffrey Susbauer, Cleveland State University, discussed business-development planning. Mr. Proscio's wrap-up talk centered on the proper writing of a grant proposal.

Participants were able to ask questions and meet with speakers on an individual basis during breakfast and luncheon sessions and at an evening reception.

Kevin J. Rieke has been promoted to controller-finance, and Kshitij V. Bendre has been named assistant vice president-U. S./Ohio at Huntington Bank of Northeast Ohio (formerly Union Commerce), Cleveland. Mr. Rieke, who joined the bank in 1978, continues as vice president/finance. Mr. Bendre was named assistant cashier in 1980 and joined the U. S./Ohio division in 1982.

National City Executives Take Part in Program Of Junior Achievement

CLEVELAND — For the past three years, executives of National City Bank have participated in Cleveland's Junior Achievement Project Business Program. The bank executives and other local business people bring the resources of the business world to the classroom and teach students about the workings of the business community.

This year, National City's Paul Clark, consumer credit officer, is one of 54 business executives taking part in the program. He has volunteered once a week for 13 weeks to talk to eighth-grade students at St. Luke's School, Lakewood. Mr. Clark uses a combination of lectures and examples to help students understand the nature of the economy, supply and demand and business cycles.

Richard P. Reed has been elected senior vice president, Central National, Cleveland. Mr. Reed had been vice president/manager, personnel, since 1981.

Peoples National, Delphos, and Maumee Valley National, Defiance, will seek approval to consolidate their operations under the name Maumee Valley National Bank. Both banks are subsidiaries of Toledo Trustcorp. Robert L. Critchfield, currently president of both banks, will continue in that position. Peoples National has two offices in Delphos. Maumee Valley has nine offices, located in Defiance, Napoleon, Montpelier, Hicksville, Liberty Center and Paulding.

Union Savings, Warren, has agreed in principle to merge with Bank One of Eastern Ohio, Youngstown, an affiliate of Columbus-based Banc One Corp. Union operates 10 offices in four counties and had year-end assets of $282 million. Bank One of Eastern Ohio has assets of $720 million and 39 offices.

At BancOhio, Columbus, Emmitt W. Brown, Anthony N. McEwen, David W. VanDam, Daniel E. Crane, Reed R. Sell and Eugene J. Topolski have been elected vice presidents. Joel C. Cornette has been promoted to assistant vice president.

Roger L. Hudkins has been named senior international banking officer, Toledo Trust. He joined the bank in February, having served as assistant vice president/international division, First National, Toledo.

Eric W. Wise, president/treasurer, Duplex Mill & Manufacturing, Springfield, has been elected a director of the Springfield City office of Huntington National. Paul C. Jacobs, president, Geauga Community Hospital, has been named a director of Huntington National, Burton.

WISCONSIN

Wisconsin Commissioner Issues Advisory to Aid Home-Mortgage Borrowers

Wisconsin Banking Commissioner William P. Dixon has issued an advisory to state bank examiners directing them to "place increased emphasis on a bank's collateral margin and the long-run probability of home- and farm-mortgage pay-outs, and less than normal emphasis on delinquencies in repayments."

The practical effect of the advisory is

to allow persons experiencing temporary economic hardship to work with their local banks to avoid losing their homes.

By directing the examiners to put more emphasis on a bank's collateral and less on delinquency, the commissioner is sending "a signal to Wisconsin state banks that this office supports their reasonable and prudent efforts to avoid home-mortgage foreclosures."

The advisory was sent at the urging of State Senate Majority Leader Tim Cullen, who requested the commissioner's office to "indicate some sort of leniency for those lenders that hold increasing mortgage delinquencies on their books in order to aid borrowers in meeting their financial commitments."

"Senator Cullen's proposal is a sound one," says Mr. Dixon, "and it is in the best interest of Wisconsin's citizens.

"In particular, this policy is to be applied to those situations where the delinquency is due to temporary economic circumstances and where the home-owner is trying to work out an acceptable plan with the bank to avoid foreclosure."

The policy, says the commissioner, "is intended to ensure that this office does not penalize bank management for taking action to work out serious residential-mortgage problems with borrowers who are in temporary economic difficulties."

The policy is not intended to be applied when a borrower "abandons or fails to maintain the home, moves out of the area, refuses to communicate with the lender or in similar cases."

The advisory applies only to a borrower's principal residence.

Independents Name Director

Donna Coughlin has been appointed administrative director of the Independent Bankers Association of Wisconsin. She will provide communication and educational coordination for the association and will coordinate the association's activities with the Independent Bankers Association of America and with other banking and professional trade groups.

Ms. Coughlin has been administrative secretary, United Medical Credentials Committee, Madison; vice president/producer, Apple Corps Theater, Inc., and executive secretary, Madison Area Safety Council.

Economic Optimism Expressed in Panel Sponsored by Bank

Optimistic about Madison's economic future, Lake City Bank has opened two new neighborhood offices on the city's east side. Planning for expansion began when research showed that people in the area were being shortchanged in terms of availability of financial services.

"We found there were twice as many people per bank in this area than in any other part of the city," says bank President Robert Weber. The new offices have created seven jobs.

Madison business leaders participated in panel discussion at one of Lake City Bank's new east side neighborhood offices. Panelists were (from l, seated): Marian Maenner, Joel Skornicka, Robert O'Malley and (standing) Clark Varner, M. William Statz and Max Cobb.

In conjunction with the opening, Lake City Bank sponsored a panel discussion by Madison business leaders. Panelists expressed the belief that the city's business future looks bright and that there has been an economic turnaround in the area.

Participants were Max Cobb, president, Midwest Wholesdale; Floyd Desch, president, American Family Insurance; Marian Maenner, owner, Douglass China Galleries, Ltd.; Robert O'Malley, president, United Bank; Madison Mayor Joel Skornicka; M. William Statz, president, Badger Utility, and Clark Varner, owner, Team Electronics.

The mayor qualified the optimism expressed by the other panelists. "Local government is cautiously optimistic about the future of the economy," he said.

United Bank President O'Malley commented that the economy was turning the corner on recession. Lake City and United banks have announced merger plans and are awaiting regulatory approval.

The Minneapolis Fed has approved the application of Rice Lake Bancorp, Inc., to acquire Citizens State, Birchwood.

Good-Sportsmanship Awards

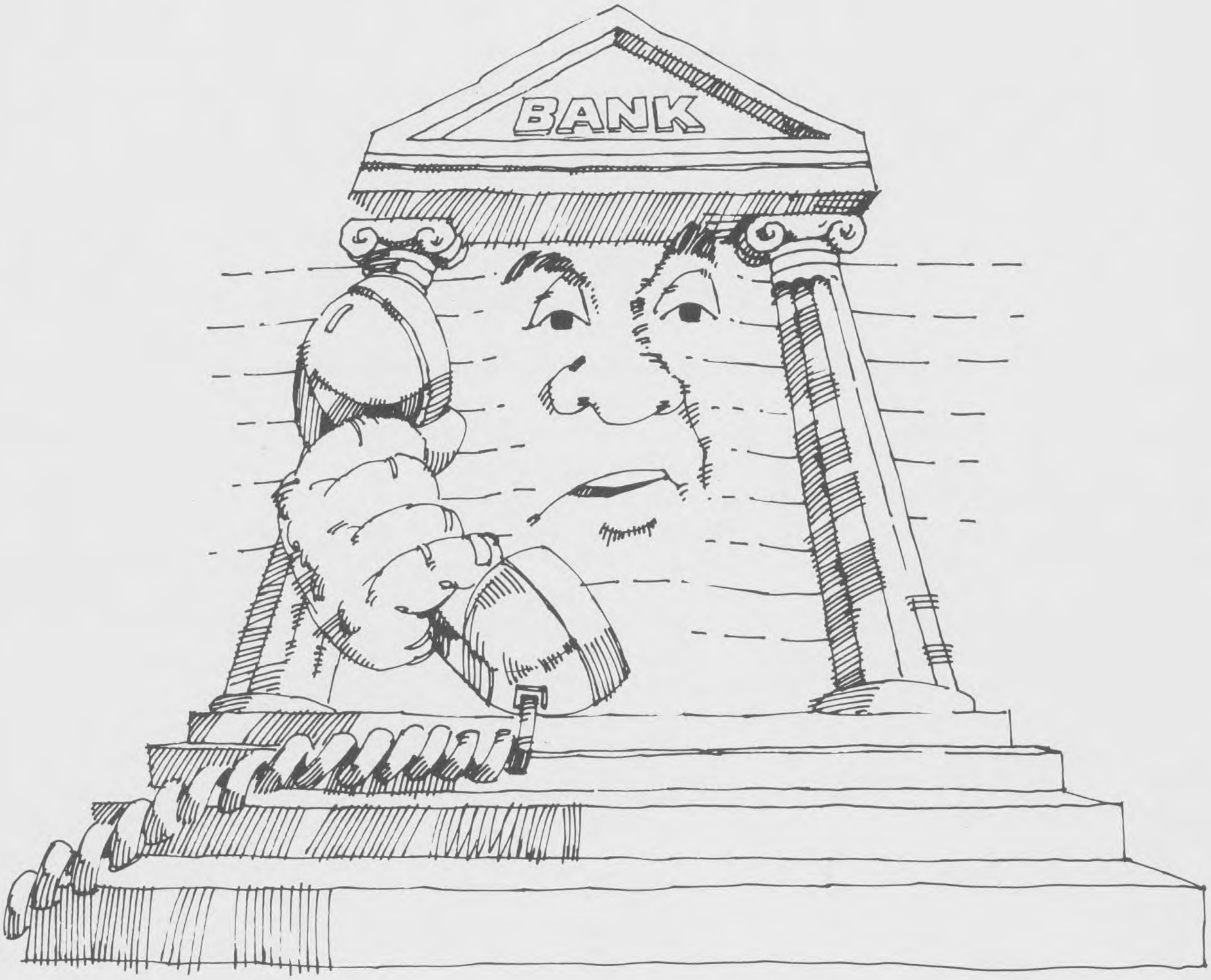
McFarland and Mayville high schools were winners of the 1983 good-sportsmanship awards sponsored by the Wisconsin Bankers Association.

The annual awards are presented to the schools demonstrating the greatest degree of fair play and good behavior during the girls' and boys' basketball tournaments at the Wisconsin Interscholastic Athletic Association championships. The schools were selected on the basis of behavior exhibited not only by the teams, but also by school officials, faculty, coaches, student body and parents in attendance at the University of Wisconsin field house, Madison.

The WBA's bankers area-wide advertising committee cosponsors the televised games. This is the association's 10th year of involvement in the tournament.

Norman Jacobs has been elected executive vice president, Marine Bank, Milwaukee, senior vice president, Marine Corp., and president, Marine Trust. Otto Wirth has been named executive vice president, Marine Bank, and senior vice president, Marine Corp. Paul Ewig has been appointed vice president/assistant controller, Marine Corp. Owen Bane Jr., Michael Isermann, Michael Johnson, Gary Sarner and Jack Woods have been named senior vice presidents, Marine Bank. At Germantown Marine Ronald Krause has been appointed assistant vice president. Shirley LeRoy has been named vice president/cashier, and Dave Knutson has been elected assistant vice president, Marine Bank Dane County. Don Baker now is president, Marine National, Neenah. David Kundert was named senior vice president/chief operating officer at Marine Trust. Thomas Regan and Marcia Wilson have been appointed assistant vice presidents, Marine Trust. At West Bend Marine, James Bowerman has been elected vice president/cashier, and Gary Clemens has been appointed assistant vice president.

William R. McIlvaine has joined Heritage Bank, Milwaukee, as senior vice president — downtown division. Mr. McIlvaine most recently served as a registered representative for Equitable Life Assurance Society.



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Home-Banking Pilot Project Includes First Wisconsin

FIRST WISCONSIN, Milwaukee, has joined Home Banking Interchange, a nationwide pilot program that will provide a wide range of computer-based financial and information services for the home. Approximately 20 U. S. banks will take part in the cooperative venture originated by Automated Data Processing, Clifton, N. J. First Wisconsin is the only Wisconsin bank in the project.

Two hundred Milwaukee families, scientifically selected to represent a cross section of First Wisconsin customers, will participate in the program, scheduled to begin later this year. The families will have continuous, around-the-clock access to their deposit accounts, as well as other banking services, by means of computer facilities in their homes. In addition to paying bills, customers will be able to transfer funds between their accounts, find out which of their checks have cleared, determine their current balances, make cash advances on their bank cards and obtain information on current interest rates on loans and deposits. The program also will include nonbanking services such as news, weather and sports, travel schedules and reservations, teleshopping, games and electronic mail.

Testing and refining of the banking services will last 18 months and customers will be interviewed periodically. The bank will furnish computer terminals and will impose no service fees during the first few months of the project. Fees may be added later, and the kinds of services may vary in an attempt to determine customer preferences and their rating of the services.

Ultimately, customers will be able to select personal-identification number codes to gain access to the system to ensure security. Security is participants' greatest concern, but experience with earlier forms of electronic banking has shown that this will not be a problem.

Hal C. Kuehl, First Wisconsin chairman, expects that the project will "help us understand how to serve well those customers who wish to use home computers and terminals to better manage their finances." By participating in the program, says Mr. Kuehl, the bank will "improve our understanding of how recent technological breakthroughs in home computers and video can be made to better serve our customers' financial and information needs. In addition, we want to prepare the best possible system of services before full-scale market introduction, improving software for home banking and related applications so that they become as useful and easy to use as possible." ● ●

First Wisconsin Corp., Milwaukee, has filed a registration statement with the Securities and Exchange Commission covering a proposed public offering of 400,000 shares of adjustable-rate cumulative preferred stock. Goldman, Sachs & Co. and Robert W. Baird & Co. are managing the group of underwriters making the offering. Net proceeds of the issue will be used primarily for investments in, or extensions of credit to, First Wisconsin's subsidiary banks and possible acquisitions of additional banks.

No New Banking Legislation Seen, Says Senator Garn to Bankers

SENATE banking committee Chairman Jake Garn (R., Utah) told a group of bankers in Indianapolis recently that he expects no new banking legislation, that legislators are overwhelmingly opposed to interstate banking and that the Glass-Steagall and McFadden acts and the Douglas amendment will be studied by his committee this year.

Sen. Jake Garn (l.) chats with Otto N. Frenzel III, ch., Merchants Nat'l, Indianapolis, after senator spoke to bankers attending meeting sponsored by Merchants Nat'l.

Banking laws represent "an incredibly unfair situation," the senator told bankers attending a program sponsored by Merchants National, Indianapolis. He said bankers were reeling from inflation, high interest rates and technological advances, plus increased competition from brokerage houses and other unregulated financial institutions.

"There are a lot of new boys on the block in the banking business," he said, "but they're not willing to admit they're banks."

He said he is disturbed at how banking laws make it difficult for banks to compete and advocated that Congress "take the shackles off."

He referred to last year's Garn-St Germain banking legislation as a "first step" in removing the shackles and said his committee will begin a review soon of all major laws pertaining to the banking industry.

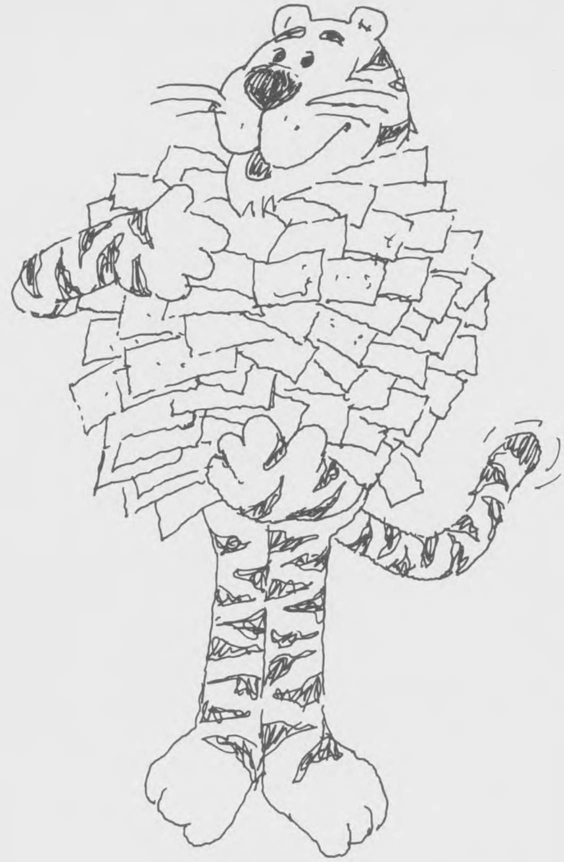
"We must correspond the laws in this nation to what's taking place in the marketplace," he said. "We can't be 20 to 30 years behind what the marketplace is doing."

He said review of Glass-Steagall, McFadden and Douglas will give Congress direction on what the industry needs and will help develop a consensus for updating banking laws. He said he won't push for new banking legislation in 1983 because he doesn't "want Congress to act precipitously."

In explaining Congress' opposition to interstate banking, Senator Garn said many legislators fear smaller banks within their states would be "swallowed up" by large institutions if interstate banking were permitted. ● ●

Independence Bank Group, Waukesha, plans acquisition of Brown National, Kenosha, subject to the necessary approvals. Brown National, which recently has been the object of two different unfriendly tender offers, has recommended the acceptance of Independent's offer.

Kevin C. Schuller has been promoted to vice president/assistant general counsel/assistant secretary, First Wisconsin Trust, Milwaukee. Mr. Schuller joined First Wisconsin Trust in 1974 and was named assistant general counsel in 1978. He also serves as secretary to the board. Nicholas J. Bertha III has been named assistant vice president. He joined the company in 1981 as a trust officer.



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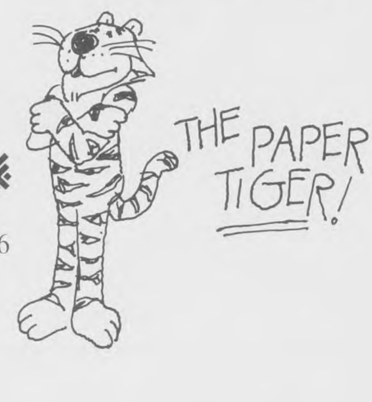


Sophisticated Security Measures Now Available in Rural Areas

FOR SOME TIME, because of the unsettled state of the world combined with terrorist acts committed against what is termed "the establishment," political, civic and financial leaders in large cities have access to many kinds of sophisticated security measures. These could take the form of personal bodyguards or firms that provide external and internal security.

Now, there's a company that offers this service in a rural area. Called C. N. Arne & Associates, it's headquartered in Warrensburg, Mo. Its area at present primarily is Missouri, according to its founder, Chet Arne, but it plans to expand to nearby states in the future.

What exactly does C. N. Arne & Associates do? Mr. Arne says its overall purpose is to provide security consulting and external/internal physical security for banks and all kinds of businesses and commercial enterprises.

Among its services are:

- Employee-integrity investigations, particularly pre-employment investigations.
- Psychological-stress evaluations. Mr. Arne explains that these are similar to polygraph (lie-detector) tests. Results are based on voice responses (the way a person's voice sounds during the test). High and low voice frequency changes in response to specific questions.
- Computer/document security, which goes hand in hand with physical security. Mr. Arne says his firm will study an operation and then make recommendations on how it can be made more secure.
- Document-integrity studies. Mr. Arne describes this service as studying any document questioned by a bank — checks, securities, notes — anything that could be suspected of being forged or altered. The Arne firm can examine these documents scientifically and either authenticate them or show why they are not authentic.
- General investigative work. Suppose, says Mr. Arne, a banker suspects an employee of embezzling or doing something else wrong, but has no proof. The Arne firm can work under cover, even to "planting" an operator in the bank to watch the supsected employee without raising his or her suspicions.
- Executive protection inside and outside the U. S. Mr. Arne admits most rural bankers probably don't need this service, but he offers it if they do.

Mr. Arne says he started his company because market surveys indicate such a service is needed in the rural, as well as the large urban, areas of the country. He and his employees all have or are working on bachelor's degrees in criminal-justice administration and industrial safety/security, as well as business management.

Further information on this new service can be obtained from: Chet Arne, C. N. Arne & Associates, 107 E. Culton, Warrensburg, MO 64093. ● ●

Ready-to-Use Letters On Credit Collection Available in Book

"The Complete Guide for Credit and Collection Letters," by Sol Barzman. Publisher: National Association of Credit Management, 475 Park Ave. South, New York, NY 10016. Hardcover, 224 pages, $26.95.

More than 300 model credit letters can be found in this book, and they deal with every customer situation, from the first customer contact through final correspondence. The National Association of Credit Management (NACM), the book's publisher, says each letter may be used as is or easily adapted to fit special needs.

The book contains both credit and collection letters, each of which, the NACM points out, is to the point, easy to understand and free of unnecessary verbiage.

The credit letters, according to the NACM, will help a banker write with tact and assurance in these situations:

- Requesting financial statements, rejecting orders, asking for references, requesting credit applications.
- Asking for cash in advance, explaining credit terms, establishing credit limits, letting customers know they are taking too long to pay.
- Discussing unearned discounts, limiting credit, holding up shipments, revising credit status.
- Pointing out delinquencies, reopening old accounts, adding service charges for late payments, granting extensions to old customers.

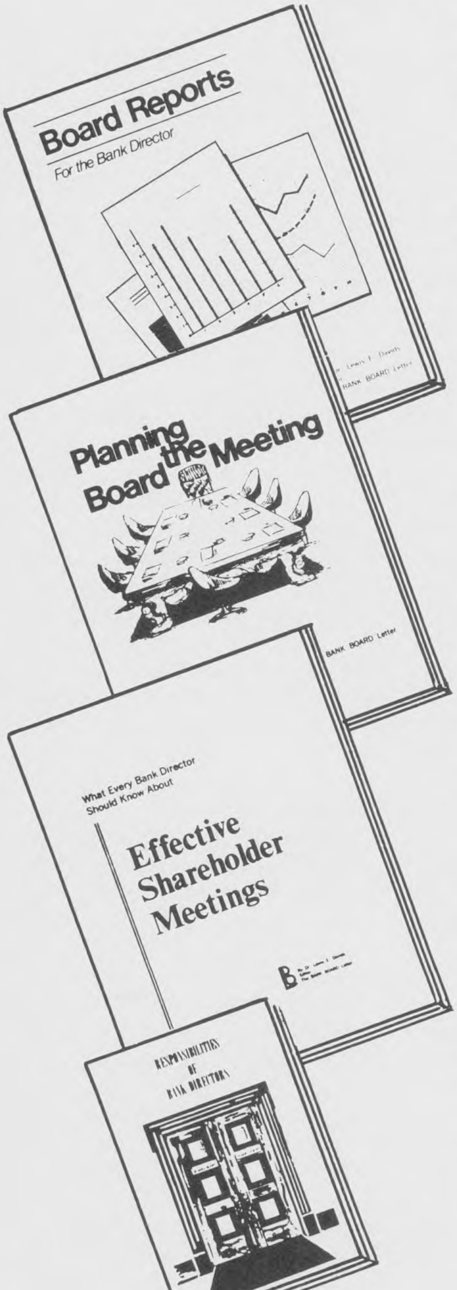
The collection letters are those that:

- Remind a customer he is past due. The approach is friendly and conversational, and the letters vary in intensity.
- Take a more formal stance. They are insistent letters that appeal to a customer's sense of fair play, his fear of jeopardizing his credit status and goodwill. These letters also are of varying intensity.
- Demand that a customer face up to his responsibility or suffer serious action on the creditor's part. These are described as "tough" letters by the NACM.

Mr. Barzman has written extensively on business credit for various publications. He also is the author of the NACM's *Everyday Credit Checking*.

Four Fact-Filled Manuals for The Bank Director

Every Director Should Have a Copy of Each One



BOARD REPORTS . . . for The Bank Director **$24.00**

More effective board meetings begin with effective reports. This 200-page manual will help you determine the "quantity and quality" of monthly reports needed by directors so they (and management) can make proper decisions. Included are examples of reports most needed by directors who want to create policies that lead to prudent management. Contains information on many topics such as effective reporting. . . reports to shareholders. . . report of examination. . . bank liquidity and capital analysis. Manual illustrates various formats board reports can take. . . from oral to detailed graphic presentation. Author: Dr. Lewis E. Davids.

PLANNING THE BOARD MEETING **$8.00**

This 64-page booklet provides some workable agenda, suggestions for advance planning and also lists types of reports a board should receive monthly and periodically. It emphasizes the need for informing the board as *quickly* and concisely as possible. Contains a chapter outlining a "workable" board meeting, another on visual aids for the board meeting. Also contains a model for minutes of the board, plus sample forms to communicate status of bank to the board. An excellent "companion" to **BOARD REPORTS.** Author: Dr. Lewis E. Davids.

EFFECTIVE SHAREHOLDER MEETINGS **$14.00**

Before your next shareholder meeting, get ready for gadflies, activists and others who may be planning to disrupt your program. Here's how to anticipate damaging incidents, prepare tested countermeasures, turn potential disasters into a plus for your bank. Details include handling of unusual actions (such as replacing a CEO) — political contributions, laws and regulations directors may unwittingly break, stock purchases, sales and disclosures, proxy provisions, etc. A checklist of meeting details. Promoting attendance. Stockholder proposals. Materials to mail. Agenda and procedural rules.This book is a tested"how-to"of Annual Meetings from inception to final reports, including personnel responsible for each step. 96 pages of "must" reading for chairmen, directors and officers involved.

RESPONSIBILITIES OF BANK DIRECTORS **$9.00**

This book is "right" for today's banking problems. Due to the economic influence banks have on their communities, the rapid growth of HCs and the ever-growing "consumer" movement, directors must know what is expected of them and their bank in terms of responsibilities to depositors, shareholders and the public. This manual examines recent court decisions, investment return, continuity of management, long-range planning, effects of structural changes on competition, and more. Author: Raymond Van Houtte, president, Tompkins County Trust Co., Ithica, NY.

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Wisconsin Bank Offers Public-Service Seminars

COMMERCIAL & Savings Bank, Monroe, Wis., is offering a series of public-service seminars to help people manage their money. Part of the bank's community-relations program, the seminars are designed to be interesting as well as convenient for consumers. New approaches include holding programs in the bank lobby and dramatization of a planning session between customers and their banker.

"Our customers tell us they want and need more reliable information on coping with economic changes, and they certainly can't afford to spend a lot of money to find out how to save or make their money stretch to cover necessities," says J. F. Kundert, president of the bank, which serves a primarily agricultural community of 30,000. "Our seminars are offered as a public-service to the community — to customers and non-customers alike. And, we maximize our audience by maintaining a good relationship with area newspapers and radio and television stations. Reporters are invited to attend our meetings and help us reach thousands of people who are looking for reliable financial advice."

At a seminar entitled "Economic Survival Through Planning," the bank featured 1973 Miss America Terry Meeuwsen as keynote speaker. Miss Meeuwsen formerly co-hosted a Milwaukee television program, "New Day," which included a weekly "Money Help Line" segment presented by the station and the Wisconsin Bankers Association.

The seminar was held on a Saturday in the bank's lobby. There were two two-hour sessions, one at 9 a.m. and another at 1 p.m. Midway through the program, personal bankers gave half-hour presentations — "Banking Has News for You," where they explained new products and services. Mr. Kundert, Miss Meeuwsen and her husband, Andy Friedrich, then staged a mock interview with a banker. Playing the part of a "typical young couple," the Friedrichs asked their banker, played by Mr. Kundert, questions on financial planning.

"This 'interview with a banker' format makes financial planning and budgeting, which can be a tedious subject, interesting," says Mr. Kundert. "Terry and Andy gave the audience a look at money management from the consumer's point of view and helped make the point that helping people to learn to handle money is part of a banker's job."

Audience response was good, and after the program most people took home copies of the bank's financial-

Dramatization of financial-planning session between banker and customers made subject interesting and informative at community-service seminar at Commercial & Savings Bank, Monroe, Wis. Bank pres., J. F. Kundert, (r.) talked with "customers" Andy Friedrich and Terry Meeuwsen.

FOR YOUR DIRECTORS — TO HELP THEM HELP YOU

No. 51 BUDGETING, FORECASTING and PLANNING

Every bank must know WHERE it is going and HOW to get there! Management should "map the course," but directors should play a role in establishing goals.

This manual supplies directors with tools they need to steer bank policy in the best direction. Chapters help directors establish "missions" statements, trace stages of a planning process. Details HOW to perform financial planning . . . how to plan for new services . . . how to "forecast."

Techniques used by successful banks are included, along with sources of information and a bibliography of references.

Price — $29.50

2-5 copies $26.50 ea. 6-10 copies $25.00 ea.

No. 101 DIRECTORS . . . Selection Qualifications, Evaluation and Retirement.

This 42- page manual answers key questions concerning director selection, retention and retirement. Special section: the prospective director and how he should be expected to contribute to the bank's success. Includes a rating chart.

Manual also contains a section posing questions that a prospective director should ask himself before he accepts a bank board post.

Another section deals with the sensitive nature of director retirement. Age can be a guide but not an overriding factor in this decision.

Price — $8.00

2-5 copies $7.00 ea. 6-10 copies $6.50 ea.

No. 210 MAXIMIZING CORRESPONDENT BANK RELATIONSHIPS

Directors aren't "born correspondent experts, but you can help them catch up in a hurry, and it's profitable for you to do so. This 100-page manual covers all facets of correspondent banking. Clearings and float analysis . . . loan participations . . . lines of credit . . . foreign exchange, etc. This manual also helps directors APPRAISE correspondent services — to make certain you receive maximum service at a competitive price.

The manual also discusses several federal regulations, including the constraints imposed on "insider" bank lending by FIRA. A MUST for every bank director.

Price — $14.00

2-5 copies $12.00 ea. 6-10 copies $11.00 ea.

No. 220 — AN INVESTMENT GUIDE For the Bank Director

In this 192-page manual, the author discusses the merits of directors paying closer attention to bank investment policies.

Poorly thought-out-and-executed investment policies can place a bank's capital in jeopardy, particularly when a bank is forced to liquidate investments during a period of rising interest rates.

Should the board "intrude" upon management prerogatives of the CEO in the administration of the investment portfolio? Not at all, says the author. However, a written policy, carefully structured around the bank's deposit and loan "mix," can be comforting during rising or falling interest rates.

As an aid to management and the board, the author presents numerous investment and portfolio management policy statements presently in use by recognized well-run banks.

Price — $24.00

2-5 copies $22.00 ea. 6-10 copies $21.00 ea.

No. 230 — CONTRACTS WITH BANK EXECUTIVES

In many banks, salaries, bonuses and fringe benefits of top management are covered by contracts. Since many contracts extend for periods of five years they call for careful consideration.
struction.

This 48-page manual discusses the role of the board's Compensation Committee in determining the nature of such contracts. The author suggests that "performance" can and should be the key in rewarding the executive. Charts and worksheets are included to help the committee arrive at "fair and equitable" prerequisites as motivating factors for the bank executive.

An aid to writing a NEW contract or in REVIEWING existing contracts.

Price — $10.00

2-5 copies $8.00 ea. 6-10 copies $7.50 ea.

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statement forms.

Other programs in the series have included sessions on individual retirement accounts and on tax changes.

The bank encourages people attending the seminars to bring brown-bag lunches. Beverages are served, and people are invited to "come when you can, leave when you must."

The seminars are held to encourage people to come to their commercial banks for advice. "In a time when everybody seems to be getting into the money-managing act," says Mr. Kundert, "commercial banks need to make sure people know that now, more than ever, we are in the 'business' of offering financial information and advice."

Safe-Deposit Association Sets Conference for June

The 59th national educational conference of the American Safe Deposit Association will be held June 15-18 at the Downtowner Best-Western Hotel, Green Bay, Wis.

Speakers and their topics will include "Success in Deregulation: The Critical Few" by Walter J. Fiorentini, first vice president, First Wisconsin National-Milwaukee; "If It Moves, Price It" by Jack Whittle, chairman, Whittle, Raddon, Motley & Hanks, Chicago; and "The Importance of Continual Education" by Lee Gunderson, past ABA president, and director of the Prochnow Graduate School of Banking.

Comptroller Sets Moratorium On Brokers' Moves Into Banking

THE Comptroller of the Currency has imposed a moratorium on new charters for banks created or acquired by brokerage and securities firms that want to enter the consumer-loan business.

The moratorium will remain in effect during the time Congress considers eliminating or broadening the loophole that has permitted Wall Street firms to invade the consumer-loan business by purchasing banks and divesting them of their commercial-loan portfolios in order to get around the definition of a commercial bank maintained by the Fed.

The moratorium doesn't apply to any charter applications accepted as of April 6 or to most charter applications for national trust banks and national banks whose acquisition by a bank HC across state lines is authorized by state law. But it does include applications for trust banks by organizers who serve as investment advisers to mutual funds.

Securities firms recently have been permitted to operate banks that would not make business loans, although they could offer consumer loans and take deposits.

The Comptroller's office will continue to accept applications, despite the moratorium, because it wants to avoid a legal challenge to the moratorium. However, it may extend the ban on new charters if Congress doesn't resolve the issue before the moratorium is scheduled to be lifted by year end.

Comptroller C. T. Conover said Congress appears prepared to debate the full range of policy issues regarding bank deregulation that is being raised by the increasingly rapid pace of marketplace innovation.

Congress expects to hold hearings on the Glass-Steagall Act, which restricts bank products, and the McFadden Act and Douglas Amendment to the Bank HC Act, which limit geographic expansion by banks.

Comptroller Conover said he believes a moratorium on nonbank banks at this time will help foster free and open debate on these important policy issues. It would reduce the pressure created by escalating marketplace innovations at the national level that could outpace congressional deliberations.

"I look forward to working with Congress during this moratorium to examine the full range of issues presented by changes in the financial-services industry," Mr. Conover said. "Those issues include changes in the S&L industry, emerging changes in state law that affect geographic and product restrictions for state-chartered banks and technological developments that make new financial products and delivery systems possible."

Electronic Monitoring Of Money-Mkt. Accounts Available to Banks

A new on-line service, Money-Market Monitor (MMM), enables a bank to compare its rates on deregulated-deposit accounts to regional and national averages. It was developed by Whittle Raddon Motley & Hanks, Inc. (WRM&H), Chicago financial-marketing firm. It's delivered to bankers nationwide over InnerLine, the banking industry's computer-based information/management service.

Based on a sampling of 200 financial institutions selected at random, MMM reports averages compiled nationally, regionally and by size of institution. In addition, the service provides trend analysis and a weekly commentary by L. Biff Motley, WRM&H executive vice president.

According to Wayne B. Lewin, InnerLine's chief operating officer, MMM monitors "super NOWs" and money-market-investment accounts; one-month, 2½- and 3½-year certificates; a 1½-year fixed-rate IRA and 1½-year variable IRA. As new retail products are developed and marketed, MMM will revise and expand its weekly report to include any new instruments.

InnerLine, developed jointly by the Bank Administration Institute, Rolling Meadows, Ill., and *American Banker*, provides financial news, analysis, financial reports and electronic mail. InnerLine offers 28 services, including a Fed-pricing schedule, prime-rate-reporting service and Index of Bank Performance.

International Monetary Market Sponsors Futures Seminar

A seminar on corporate applications of financial futures is planned for June 15-17 at the Hyatt on Hilton Head Island Hotel, Hilton Head, S. C. Sponsor is the International Monetary Market of the Chicago Mercantile Exchange.

The seminar will highlight futures application to management of liquid assets, foreign exchange, commercial-paper issues, bank borrowing and equity issues. Treatment of hedge-management tactics, accounting/legal considerations and broker/bank relationships also will be featured.

Further information is available from the International Monetary Market.

Compensation for Bank Executives: Designing a Program to Fit the 1980s

By Jack B. Collage, AEP*
Executive Vice President
Human Resources
Marine Bank
Erie, Pa.

CLEARLY, the financial-services industry is in a transitional period, shifting from a relatively stable environment characterized by distinct business and product segments, through a phase of broadening and overlapping product lines with expanding distribution options, to an unsettling and uncertain future.

The need for strategic planning never has been greater. It now is imperative that directors and top management provide strong leadership, coupled with a clear sense of direction communicated throughout the organization, so that everyone understands where the organization is going, why and how it will get there.

The task of deciding the future direction of the organization, whether to merge, acquire, form a holding company; whether to compete in the emerging retail market, and how, etc., presents, at best, tough challenges for top management and boards. Competing successfully will require a comprehensive assessment of how to position the organization in the industry. It will require entrepreneurial thinking about products and structure of the organization's different business units. Maintaining sound business judgment, while at the same time restructuring product lines and staff units to profitably capitalize on market opportunities, will require a different philosophical approach to executive compensation during a period of lowering expectations.

Given the fact the banking industry is on the threshold of experiencing a merchandising revolution, executive compensation in banking is in a period of fundamental change. Rather than revising plans and programs on a short-term basis, we expect that more banks will take positive steps to adjust their thinking to developing long-term performance-related plans or to reconcile existing programs to long-term economic reality.

Major Trends. Given the scenario of slow but continued economic growth over the balance of the 1980s, along with a changing profile of bank-business structure, a diversification of entrepreneurial and conventional banking practices, bank executive compensation will gravitate away from fixed cash salaries to variable pay tied to performance objectives and long-term incentives. As more and more banks adopt true pay for performance philosophies, we can expect that more compensation-program-design experimentation will emerge. More individualization of compensation programs will surface to motivate and reward separate business units and specific key individuals within the group. Based on our studies of bank-officer compensation and on our research and consulting activities, we see the following specific trends developing:

- *Cash-Pay Trends:* Over the next several years, we expect cash-salary increases for executive-level personnel to decline moderately and average between 8.5%-9.5% over the balance of the 1980s. It is possible, however, that in banks that have a substantial positive turnaround-earnings experience in 1983, executive-cash-pay increases could rise to the 11-14% range in the short term. As more banks experiment with pay-increase formulas tied directly to corporate objectives, we expect the number of executives receiving salary increases to decrease. Director-compensation committees will tie rewards more selectively to results attained by key executives in individual business-profit centers.
- *Variable-Pay Trends:* We expect a gradual shift from traditional fixed-compensation programs employing umbrella reward guidelines with matrix formatting to a more fluid design variable-reward structure. Year-end bonus programs will be designed with tougher criteria, and pay-out potentials will be contingent on more carefully defined objectives. Additionally, we anticipate a strong interest in developing separate strategic business unit group-incentive plans.
- *Short-Term Bonus-Plan Trends:* Bonus plans for middle management and key professional and technical personnel tied to short-term objectives will gain popularity as more banks introduce new products and capitalize on entrepreneurial opportunities in the retail market. As these plans are integrated gradually with longer-term strategic business objectives, payment of an annual reward to a multi-year-reward potential will emerge.
- *Long-Term-Reward Trends:* As more and more banks integrate pay programs with strategic corporate-performance objectives, use of long-term reward programs will increase sharply as the vehicle to motivate executive management. The design of these instruments will be multifaceted, employing a combination of direct-cash-payment and stock-option features. Incentive stock options

* *AEP stands for accredited executive in personnel. Mr. Collage also is chairman, Personnel Consulting Services, Inc., a human-resource management-consulting company wholly owned by Marine Bank.*

Long-Term-Reward Trends

"As more and more banks integrate pay programs with strategic corporate-performance objectives, use of long-term reward programs will increase sharply as the vehicle to motivate executive management. The design of these instruments will be multifaceted, employing a combination of direct-cash-payment and stock-option features. Incentive stock options (ISOs) will be widely adopted in conjunction with non-qualified options."

Short-Term Bonus-Plan Trends

"Bonus plans for middle management and key professional and technical personnel tied to short-term objectives will gain popularity as more banks introduce new products and capitalize on entrepreneurial opportunities in the retail market. As these plans are integrated gradually with longer-term strategic business objectives, payment of an annual reward to a multi-year-reward potential will emerge."

(ISOs) will be widely adopted in conjunction with non-qualified options.

• *Individual Net-Worth Trends:* Along with the shift from cash year-end increases to long-term incentive awards, we expect more individually designed executive-compensation programs. As banks begin experimenting with merchandising techniques, as done in the retailing industry, the need for entrepreneurial skills and talent will rise. Along with this shift, banks will focus more on individual net-worth needs since programs and strategic objectives will be designed to maximize performance. We expect this will bring about a gradual shift away from the concept of career/retirement planning to personalized employment contracts with individual compensation packages.

• *Employment-Contract Trends:* Individual employment contracts will increase sharply as corporate demands get stiffer. Also, as the number of mergers and acquisitions increases, so will the number of security-blanket or "golden-parachute" programs.

• *Compensation-Committee Trends:* As reward systems increase in number, complexity and cost, participation of boards and the compensation committee will increase. Compensation committees will become more directly involved in defining the corporate-compensation philosophy as well as more involved in actual plan-design activities.

• *Benefits/Perquisites Trends:* Traditional health care, dental, life, etc., benefits and car, clubs and membership perquisites will continue throughout the 1980s, contingent on changes in tax legislation. More experimentation will be done in the areas of providing financial-counseling services to key executives and in offering special early-retirement opportunities. To share risk and cost of benefits more equitably, banks will experiment with flexible core-benefit programs, allowing individuals to choose options that best meet their personal and family needs.

Conclusion. Clearly, we believe bank corporate-compensation philosophies, policies and programs will undergo substantial revisions over the balance of the 1980s, and, in the more conservative banks, change will be extremely difficult. Perhaps the single most difficult issue will be on deciding on performance measurements that are appropriate and reasonable.

Effective communications of business objectives, strategy and pay systems will be a continuing source of concern. Traditional means of surveying and job-evaluation processes will be upgraded technologically to take advantage of computer capabilities, both in marketplace job pricing and in modeling compensation programs.

It will be difficult to create a climate of innovation, while, at the same time, practicing traditional sound business judgment. Designing compensation programs that will provide the necessary incentives to achieve tougher corporate-performance objectives in an era of lowering expectations will be a herculean task for most banks.

Last, as shareholder sensitivities about executive pay increase, boards and compensation committees will find it difficult to communicate and justify new programs that are tied to long-term objectives without jeopardizing strategic competitive plans of the corporation.

As the profile of the financial industry changes because of competitive and deregulatory issues, so will the mix of compensation and benefits programs within the industry. The job of top management and board-compensation committees will be tougher. Key to their success will be whether they can put into place the right mix of reward systems that will provide the necessary incentive to stimulate, attract and retain key personnel who can attain difficult performance objectives over the balance of the 1980s. • •

'Deferred-Fee Plan

(Continued from page 19)

From the director's standpoint, a key advantage of a deferred-director-fee plan is the ability to realize greater earnings through the plan by investing with pretax dollars compared to the earnings available with after-tax dollars. Also, provided a director's deferred fees are not paid until after age 71 (age 70 in 1983), deferred fees will not cause a reduction in the director's social security benefits due to excess earnings.

It's hoped that when the deferral period is over and the full amount is paid, the appropriate tax rate will be lower than it is now. But even if it is not, use of pretax dollars to accumulate interest is a big benefit. Obviously, this type of deferred-compensation program can be a good supplement to a normal retirement program, and we think it makes sense for outside directors.

Other new compensation concepts are being developed for outside directors, mostly outside the banking industry. Most are familiar compensation elements for inside directors, but historically have not been available to outside directors, such as:

- Group insurance.
- Separate pension plan.
- Income tax assistance.
- Financial counseling.

We already are seeing more and more companies outside the banking industry offering these tax-exempt perquisites to their outside directors. And we believe the banking industry will follow suit.

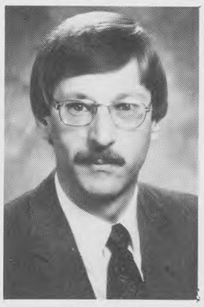
Summary. Responsibilities of outside directors will continue to increase throughout the next decade, and competition for top-management talent to serve on boards will continue to be intense. Increased cash fees are essential, but they may not be enough for your bank to attract and retain the talented directors it needs for future success.

Other industries already are offering additional perquisites to directors, and we think the banking industry will follow soon. Even though banks do not directly compete with these other industries in normal business activities, they do compete in attracting and retaining high-quality directors. • •

Asset-Based Loan Firm Set Up By St. Louis Bank

ST. LOUIS — Mercantile Trust has set up a subsidiary to make asset-based loans. Mercantile Business Credit will provide companies with revolving lines of credit secured by their accounts receivable, inventory and equipment.

The new subsidiary primarily will serve middle-market firms, those with annual sales of $5 million to $200 million.



HIRSTEIN

WUEST

Named president of the subsidiary is Dennis B. Hirstein, who joined Mercantile Trust last year, following eight years with a major commercial-finance firm. Mr. Hirstein reports to John J. Wuest, senior vice president/special-lending area.

Typical business situations in which a company might seek asset-based financing include:

- A period of rapid growth or a product line with wide seasonal variations in sales. A consumer-products distributor, for example, might seek financing to stock a new, fast-selling item. Existing inventory could be pledged as collateral for the loan needed to acquire inventory of the new product.
- A leveraged acquisition. When a large firm divests a division or sells a plant that no longer is compatible with its overall operations, management of the unit often is its buyer. The financing package might include an asset-based loan using the unit's equipment, inventory and accounts receivable as collateral.
- A company that has stabilized its turnaround situation but needs an infusion of working capital to assure its upturn.

"Loans made by Mercantile Business Credit are designed to support a company's interim financing needs, which may not fit conventional financial ratios used in evaluating requests for long-term loans," Mr. Wuest says. "The unit also is sensitive to time pressures that may require that a business make a decision quickly to take advantage of an opportunity for growth."

The subsidiary's staff includes auditors who make quarterly field examinations of the collateral pledged for loans and monitor inventories and receivables.

Payments the company receives from its customers go directly to a designated account and are applied to the outstanding loan, thereby reducing the company's borrowings and interest expense. The procedure improves the company's cash flow because it has access to funds by borrowing against its receivables or inventory rather than waiting for payment from customers.

Services of Mercantile Business Credit are available to customers of any of the 33 Mercantile banks throughout Missouri. The unit also will handle referrals from accountants, attorneys, venture capitalists and other lending professionals.

Productivity Up, Customer Gripes Down As Result of New Equipment in Reserve-Cash Area

GETTING fewer people to handle a larger workload and handle it well — commonly known as improved productivity — is a prime objective of every banker, businessman and industrialist in the land, but one that's often difficult to achieve.

Among those that have addressed the issue with striking results is Cleveland-based AmeriTrust Corp., especially its reserve-cash department and total-vault operations whose manager, Vice President Kenneth Otto, is determined to create a profit vs. cost center. He's also tuned in to the $5.5 billion bank's commitment to build its commercial business for continued increased revenue by introducing new and better services to customers.

In June, 1981, a sophisticated coin-wrapping system, consisting of four high-speed packagers and automatic takeaway equipment from Brandt, Inc., was put into service — to provide customers an alternative to the increased price-per-wrap from Cleveland's Federal Reserve Bank. And in the fall, manual handling of commercial deposits was substantially reduced with the installation of 10 computerized cash-settlement systems from the same manufacturer.

As a result of the reserve-cash department's new look, says Operations Analyst Lisa Payne, "Our major objective to increase productivity and decrease personnel has been reached,"

Kenneth Otto and Lisa Payne v.p. and operations analyst, respectively, at AmeriTrust, Cleveland, have seen increased productivity and decreased personnel requirements in the reserve-cash department because of automation.

as reported in a deposit proof-progress summary to AmeriTrust management 12 months ago. Where it previously took an average 234 hours per week to process deposits of major commercial customers, it now takes 91 hours — a 62% savings in employee time. And the number of employees required for all vault operations has dropped from 31.2 to 24.9, or a reduction of 6.3 full-time employees.

Installation of 10 cash-settlement systems in the reserve-cash department at Cleveland's AmeriTrust has resulted in a 62% savings in employee time. Equipment was purchased from Brandt, Watertown, Wis.

"When we decided to go with the cash-settlement systems," says Ms. Payne, "we expected a 17.9% return with a payback of three to four years. We're achieving this goal quickly, considering the fewer employees to whom we must pay salary and benefits."

With the new equipment in service "and employees totally comfortable with it," says Mr. Otto, "we can now work hand-in-hand with AmeriTrust's marketing department to increase our commercial business. We can process our customers' deposits faster and with far greater accuracy. Most of them receive an audit the same day. The increased speed means the bank gets the funds to work a day earlier than before."

Each settlement system includes a currency counter and a computerized central control unit (CCU) that totals checks and other media input and prints out detailed data on tape for permanent records — thus eliminating manual preparation of spread sheets. Seven of the systems also incorporate coin sorter/counters for use in serving customers such as the Ohio Turnpike, which handles significant amounts of coin. Three of the 10 CCUs have optional foodstamp keys to accommodate AmeriTrust's several grocery accounts.

Each system is located in an individual booth and operated by a single individual from 8 a.m. to 4:30 p.m. Deposits collected by an armored courier the previous day arrive at the receiving room early in the morning and bag contents are brought to system operators for processing.

Previously, each booth was equipped with a Shadowgraph scale for counting strapped items. A single currency counter was used by all staff members to verify and strap currency. Coin was hand-counted; strapped currency was weighed and all loose currency was hand-counted; and coin, currency, checks and foodstamps were keyed into adding machines and totaled to verify against deposit tickets. If totals didn't verify, money had to be recounted and totaled, and a debit or credit issued.

"The former procedure required a large staff," notes Ms. Payne, "and

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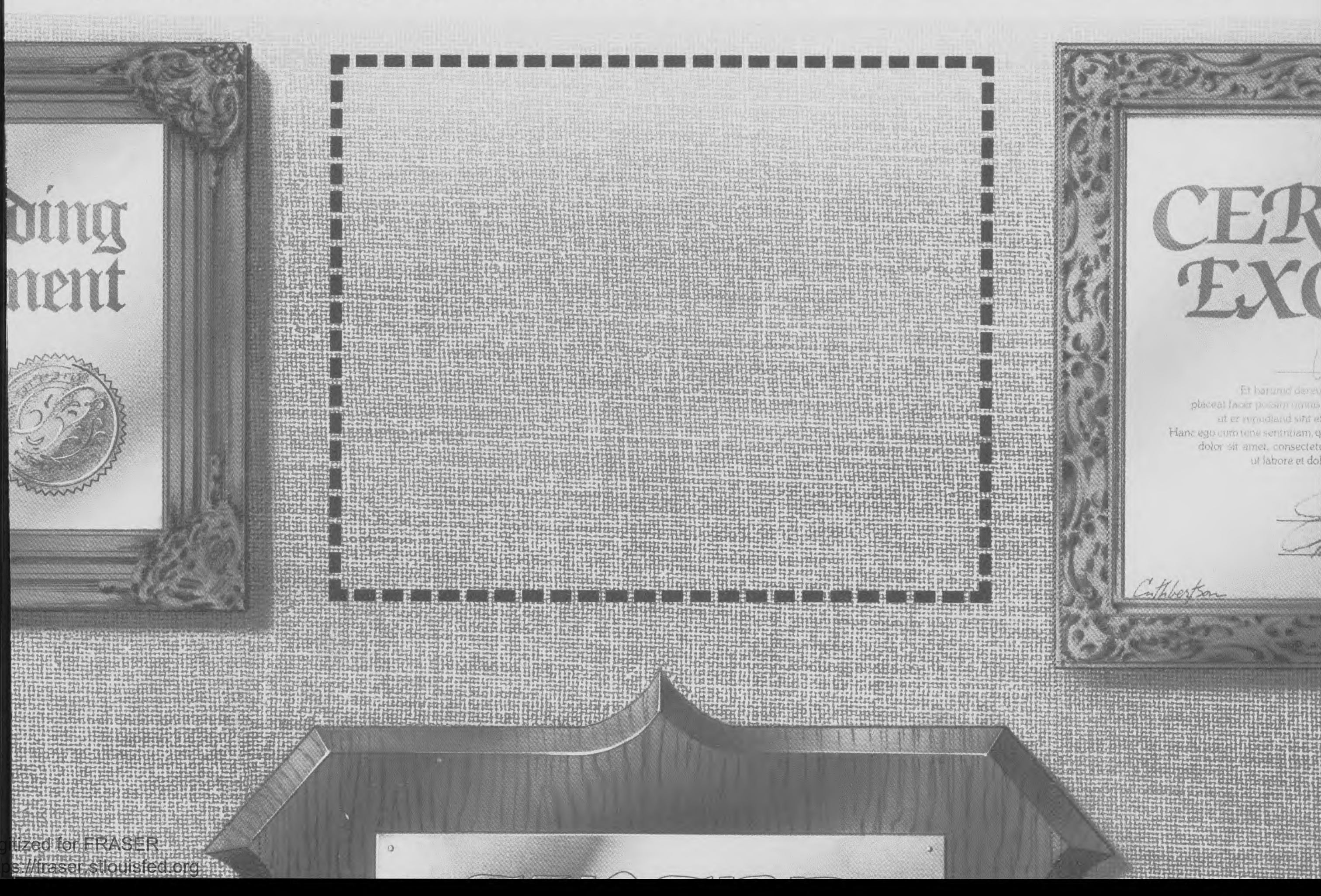


hand-counting of items was exceptionally time-consuming, messy and error-prone. Currency and coin were being handled too many times and balancing took far too many collective hours."

"We wanted to try and improve each person's job — make it easier, make it more enjoyable — in order to motivate our people to perform better," Mr. Otto says. "There isn't much attention paid to a department like ours that's down in the basement and 'does whatever it does,' in the minds of other bank staff. We wanted our people to be recognized for their important contributions and wanted to show we cared about them."

Reserve-cash employees have responded favorably, according to Ms. Payne, "in both attitude and amount of work they're handling. They don't complain as they used to, now that their jobs are so much easier, and they're taking pride in the speed and accuracy of their performance."

Furthermore, says Mr. Otto, "Our service to customers has improved to the point that I no longer get calls from customers complaining about this or that. I haven't had such a call for many months now.

"And that," he adds, "means a much better, more solid relationship with accounts that we want to keep and build on." ● ●

Teller Performance Issue Is Competitech's Best Seller

"Teller Performance Management — the Key to Productivity" has turned out to be the "best seller" of the first seven issues of the ABA's Competitech, a monthly series on implementable banking techniques and technology.

Other popular issues have included "Controlling Bankruptcy Losses" and "One Bank Holding Companies." And demand has been brisk for special issues dealing with the Garn-St Germain Act and withholding regulations.

Annual subscription sales of Competitech have passed the 1,200 mark, says Larry A. Johns, chairman of the ABA's community bankers council, and president/CEO, Isabella Bank, Mount Pleasant, Mich.

Forty state bankers associations are cosponsoring the Competitech program.

Manny-Hanny Subsidiaries Announce Name Changes

Manufacturers Hanover Financial Services, Inc., is the new name of the consumer-finance subsidiary of Manufacturers Hanover Corp. The subsidiary had been known as Manufacturers Hanover Consumer Services.

Several of the subsidiary's operating units also have been renamed to reflect the different markets they serve.

The 40 multi-product offices will operate under the name Manufacturers Hanover Financial Services. They had been Finance One Financial Centers.

Five industrial banks in Denver will operate as Manufacturers Hanover Industrial Banks. They had been Continental Industrial Banks.

The thrift in Los Angeles will operate as Manufacturers Hanover Financial Center. It had been Finance One Thrift of California.

The 324 consumer-loan offices in 30 states will continue to operate as Finance One offices and the 28 consumer-loan offices in Puerto Rico and the Virgin Islands will continue as CommoLoCo.

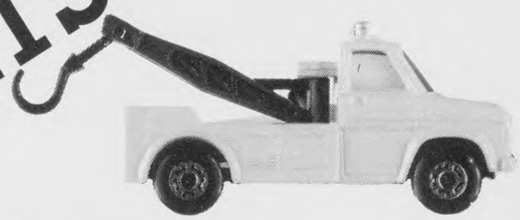
Five University Professors Receive Ayres Fellowships

WASHINGTON, D. C. — The ABA has recognized five university professors for their educational contributions in finance and has awarded them Ayres Fellowships for the 1983 session of the Stonier Graduate School of Banking.

The fellowships will provide the college faculty members with the opportunity to acquire practical banking knowledge that will be useful in developing their teaching techniques. The fellowships include tuition, accommodations and personal expenses.

Fellowship recipients are Arlyn R. Rubash, Bradley University, Peoria, Ill.; Robert Schweitzer, University of Delaware, Newark; James W. Kolari, Texas A&M University, College Station; William C. Hunter, Emory University, Atlanta; and Ronald W. Spahr, University of Wyoming, Laramie.

Ayres Fellowships have been awarded for 19 years. They were established to honor the late Leonard Ayres, vice president/economist, Cleveland Trust, and a member of the Stonier faculty. Recipients must be involved in teaching courses in money and banking, bank management, credit marketing or related topics as applied to financial institutions.



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Haig, Nadler and Vanocur Scheduled To Appear at Illinois Convention


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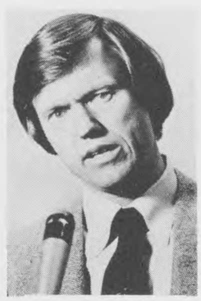

ASMUS


MOOR

ALEXANDER HAIG, former U. S. Secretary of State; Sander Vanocur, chief diplomatic correspondent, ABC News, Washington, D. C., and Paul Nadler, professor of finance, Rutgers University Graduate School of Management, New Brunswick, N. J., will be among speakers at the Illinois Bankers Association's annual convention June 9-11 at the Chicago Marriott Hotel.

The convention will begin at 11 a.m. June 9 with registration and opening of exhibits. From 2:30-4:30 o'clock that afternoon there will be four concurrent workshops. The speaker at the first workshop will be Royce Brown, principal, J. D. Carreker & Associates, Dallas, and the topic will be "Trends in Depository Services."

A second workshop will be conducted by Robert M. Martindale, president, Hughes, Martindale & Associates, Arlington Heights. The topic will be "Discount Brokerage Services."

On June 10, exhibits and registration will be open from 8 a.m.-6 p.m., and opening ceremonies will be held at 8:30 a.m. Keynote speaker that morning will be Roy E. Moor, senior vice president/chief economist, First National, Chicago.

Following Dr. Moor will be a report on "Agriculture to the Year 2000," given by Donald Havendick, president, Federal Intermediate Credit Bank, Omaha. Final speaker on the morning program will be the ABA's Gerald M. Lowrie, executive director, government relations group.

A noon reception will be followed by the Prochnow School of Banking luncheon. Speaker will be Donald Bernstein, president, Financial Solutions Corp., Oak Brook, Ill., whose topic will be "Asset/Liability Management — the Concept, the Myth, the Truth."

The spouses' luncheon at the same time will feature Betsy Aaron, ABC News "Nightline" correspondent.

Four concurrent workshops also are planned from 2:30-4:30 p.m. that afternoon.

At 8:30 a.m. June 11, Barry Asmus, economist, Boise State University in Idaho, will talk on "The Reagan Revolution." He will be followed by James G. Cairns Jr., ABA president-elect designate and president, Peoples National, Seattle. Mr. Cairns' talk will precede the annual meeting of Illinois members of the ABA. At 10:30 a.m., Mr. Vanocur will appear.

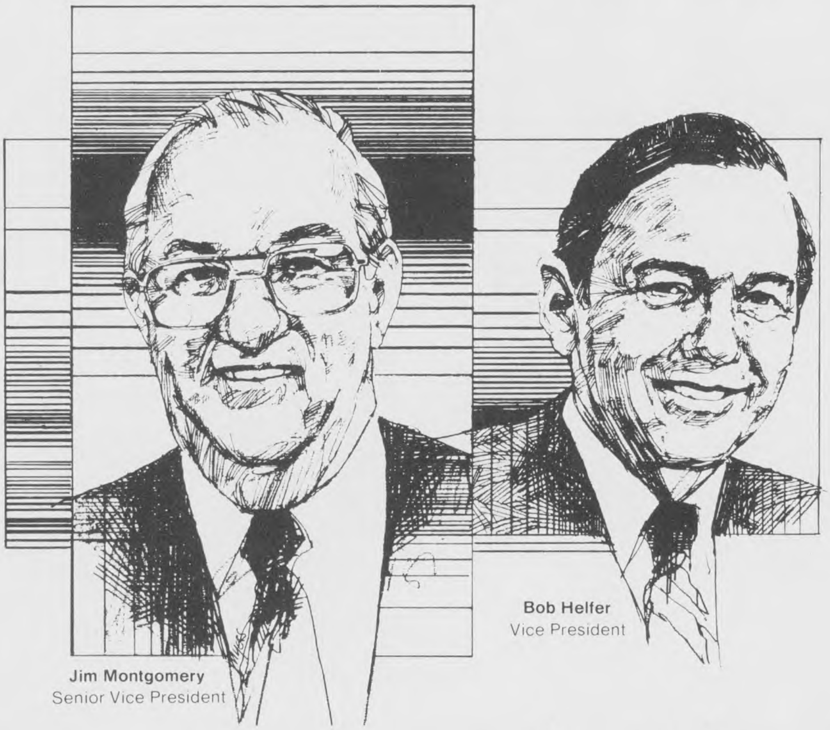
An 11:30 a.m. reception will be held ahead of the noon luncheon, which will feature Dr. Nadler as speaker. At 2:15 William J. Hocter, IBA executive vice president, will give his annual association report. At 3 o'clock, General Haig will make his appearance. His career has included being Secretary of State under President Ronald Reagan until resigning last year; supreme allied commander of NATO forces in Europe, 1974-78; White House chief of staff under President Richard Nixon, 1973-74, and brigade commander in the Vietnam War, 1966-67. A 1947 graduate of West Point Military Academy, General Haig now is visiting statesman/executive, Woodrow Wilson School of Public/International Affairs, Princeton University, Princeton, N. J.

Entertainment. The convention's opening reception will be held from 7-10 p.m. June 9 and will feature big-band dance music by Dick Judson and the Sunshine Brass. A complimentary reception will be held from 4:30-6 p.m. June 10 in the exhibit area. On June 11, the 6 o'clock banquet reception will precede the 7 o'clock banquet, with entertainment by Danny Gans and Kathy Lee Johnson. • •

Carl D. Holmquist has been appointed assistant vice president in charge of development/implementation of an executive/professional division that will be started later this year at Heritage County Bank, Blue Island. He joined the bank in February after spending 11 years with Chicago's Continental Bank.

Palos Bank, Palos Heights, has promoted Gregory J. Paetow to assistant vice president/investments. He joined the bank full time in 1977 after having worked there part-time while attending high school and college. Mr. Paetow was named assistant installment loan officer/collection manager in 1981.

The biggest difference between correspondent banks



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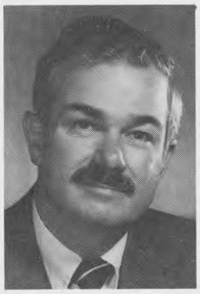
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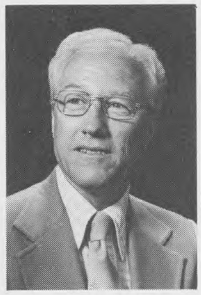
FORSTER

OFFICERS of the Illinois Bankers Association are: president, Donald R. Lovett, chairman/president, Dixon National; vice president, James E. Forster, chairman, DeKalb Bank, and secretary, T. R. McDowell, president, First National, Westville.

When the IBA meets June 9-11 at the Chicago Marriott Hotel, it will be its first convention since the healing of a split that occurred among the state's bankers early in the 1970s. At that time, the Association for Modern Banking in Illinois (AMBI) was formed to work for multi-bank HCs in the state, and many bankers left the IBA to join AMBI. However, last year, following passage of a multi-bank-HC bill in Illinois, the rift was healed, and AMBI was merged with the IBA January 1.

Under terms of the merger agreement, Mr. Lovett serves as association president the first year, and Charles C. Wilson, who was AMBI chairman, will be president the second year. Mr. Wilson is chairman/CEO, First National of the Quad Cities, Rock Island.

Mr. Lovett worked in banking during summers, starting in 1950, and went to work full time in 1955 at Citizens National, Durham, N. C., where he was branch manager. In 1957, he joined Dixon National, became assistant cashier in 1960, president in 1967 and chairman/president in 1971.

Mr. Forster was an executive with DeKalb Ag Resources, Inc., in DeKalb 1939-67; owner/operator, Forster Implement Co., 1967-71, and president, DeKalb Bank, 1971 to the present. He also is CEO there.

Mr. McDowell entered banking in a training program in 1962 at First National, Danville. From 1964-80, he was CEO, Sidell State, and, since 1980, has been chairman there. He also has been with First of Westville from 1977 to the present, became vice president in 1978 and president/CEO in 1979. In 1978, he also was named president, Westbanco, Inc., a one-bank HC.

Mr. Wilson joined his bank in 1960 after having been with Chicago's Continental Illinois National since 1958. At First National of the Quad Cities, Rock Island, he was president/CEO, 1975-82, and chairman, 1978 to the present.

All the above officers are on the IBA's executive committee, as are Kenneth A. Skopec, who will serve as association vice president in 1984, and James Lund, who will be its secretary then.

Mr. Skopec is president, Mid-City National, Chicago, which he joined in 1952 as a teller trainee. He was promoted to assistant cashier in 1957, assistant vice president in 1960, vice president in 1962 and president/CEO in 1972.

Mr. Lund entered banking in 1963 at Chicago's Beverly Bank and was there until 1969, when he joined his present bank, Matteson-Richton Bank, Matteson. He became president in 1970 and chairman/CEO in 1980.

Jeffrey W. Taylor has been named assistant vice president, Main Bank, Chicago. He had been associate general counsel/loan representative for both Main Bank and Drovers Bank, Chicago, members of Cole-Taylor Financial Group.

IBA Elects Directors To Serve During 1983

Directors elected by the Illinois Bankers Association for 1983 are:

Region I: David E. Albertson, president, State National, Evanston; Herbert Dolowy, president, Lincoln National, Chicago; James Lund, chairman/president, Matteson-Richton Bank, Matteson; Kenneth Scopec, president, Mid-City National, Chicago, and Charles Waterman, chairman, South Holland Trust.

Region II: John Andersen, president, First National, Lake Forest; Thomas Bolger, president, McHenry State; William Gooch Jr., president, York State, Elmhurst; LeRoy Mattison, executive vice president, Kane County Bank, Elburn, and George Metzger, First American Bank, Bensenville.

Region III: Neil Bach, president, Bank of Pontiac; James Forster, chairman, DeKalb Bank; Donald Lovett, chairman/president, Dixon National; T. R. McDowell, president, First National, Westville, and Charles Wilson, chairman, First National of the Quad Cities, Rock Island.

Region IV: James Coultas, chairman/president, Elliott State, Jacksonville; John W. Luttrell, president, First National, Decatur; Warren Martin, president, Capitol Bank, Springfield; Sam Scott, chairman/president, Scott State, Bethany, and James Winningham, president, State Bank, Arthur.

Region V: Thomas Andes, president, First National, Belleville; Gerald Feezor, president, Peoples Bank, Marion; Walter Moehle, president, Old Exchange National, Okaw-

Illinois E.V.P.

William J. Hocter, e.v.p., Illinois Bankers Association, joined the IBA in 1977 after having served eight years as v.p./economist with the Cleveland Fed and seven years with the Chicago Fed. He holds a bachelor of science degree and MBA in business economics from Xavier University, Cincinnati, and a doctorate in business administration from Indiana University, Bloomington. He has taught courses in "Money and Capital Markets," "Portfolio Management," "Management of Financial Institutions" and "Managerial Economics" at Loyola University Graduate School of Business and Indiana's Graduate School of Business.

ville; George Ryrie, president, First National, Alton, and Harlan Yates, president, Cisne State.

Large-bank category: David Connor, president, Commercial National, Peoria, and from Chicago — Jay Buck, senior vice president, Northern Trust; Martin Farmer, First National; William Plechaty, executive vice president/auditor, Continental Illinois National, and David Webber, senior vice president, Harris Trust.

Eleven Bankers Nominated For IBA's 50-Year Club

Eleven bankers have been nominated for membership in the Illinois Bankers Association's 50-Year Club. They are:

H. D. Ewing, president, Union National, Macomb; Fred Sack, president, Manufacturers Bank, Chicago; H. Earl Morton, chairman, Paloma Exchange Bank; Lloyd H. Ericson, chairman, Hancock County National, Carthage; Haldon Ayars, president, Ayars State, Moweaqua; Lambert Peterson, trust officer, Bank of Galesburg;

R. W. Schnitzmeyer, president, Farmers State, Hoffman; Ed Abegg, vice chairman, and Mary A. Cornwall, vice president, Illinois National, Rockford; Allen B. Stults, honorary chairman, American National, Chicago, and Lloyd H. Johnson, chairman, Boone State, Belvidere.

TV Star Officiates

Chicago TV news anchorman Fahey Flynn, a customer of Chicago's Boulevard Bank for more than 40 years, cuts the ribbon at the newly renovated South Banking Center in the Wrigley Building. Pictured (l. to r.) are: John Harahan, v.p.; Richard T. Schroeder, e.v.p.; Mr. Flynn; Charles Schroeder, ch., and Bruce Bulmer, v.p. All teller and personal-banking transactions are conducted in the new center.

Only one teller is needed to service both walk-up and drive-up traffic at New Windsor facility of Farmers State, Alpha. Part of drive-up window is shown at left in photo. Jackie Carlson (r.), customer, is shown transacting business with teller Kay Sedwick behind glass-enclosed window.

Farmers State, Alpha, has opened its New Windsor facility, thus returning banking services to New Windsor for the first time since the 1930s. Sinclair Services, Ltd., Rockford, provided a turnkey design/building/equipment package that features a drive-up facility, vault and community room. The teller line is fully protected, allowing the bank to operate for extended hours with only one teller.

Continental Bank, Chicago, has named these vice presidents: Gerald B. Moore, bond/treasury services; Morris Gold, financial services; Francis T. Smith, general banking services; Thomas W. Cherry, special industries services; Robert P. Gibbs, Paul R. Frey, Carl W. Jordan, Mark C. Rohman, James D. Slesser and Susan E. Spika, U. S. banking services; Mary Ann King, real estate services; Edward J. Calkins and Cornelius A. Twomey, trust/investment services; Myrna K. Hellerman, corporate personnel services, and Anthony W. Arredia, John L. Brecht and Robert E. Kline, operations/management services.

Dennis R. Daniels has joined Chicago's Harris Bank as vice president, municipal bond division. He had been with Van Kampen Merritt, Inc.

Merchandise National, Chicago, has promoted Roy H. Nelson to vice president, commercial loan department, and Larry E. Starzek to vice president/cashier, operations department.

Alfred R. Mueggenborg and Kathleen T. Hardy have been named vice presidents, Drovers Bank, Chicago. In addition, Mr. Mueggenborg also has been named to that post at Main Bank and Bank of Yorktown. All three banks are members of the Cole-Taylor Financial Group. Mr. Mueggenborg joined Drovers Bank in 1941. Ms. Hardy has held several positions with Drovers Bank, including correspondent bank officer and assistant vice president.

Bruce W. Taylor has joined Bank of Yorktown as vice president, commercial lending. Most recently, he was correspondent banking officer, Drovers Bank, Chicago. Both banks belong to Cole-Taylor Financial Group.

Ina State Closed

Ina State was closed last month by William C. Harris, commissioner of banks/trust companies. Mr. Harris determined the bank to be insolvent due to excessive loan losses and inability to generate sufficient income to provide adequate capital to assure safety to depositors.

The FDIC is acting as the bank's receiver, and its deposits have been purchased by First Bank, Mt. Vernon.

First Galesburg National has announced these promotions: to senior vice president, Donald S. Robinson; to assistant vice president/manager, installment loan department, James C. Dunsworth; to assistant vice president/marketing director, G. Shirleen Hilgenberg; and to assistant vice presidents, commercial loan department, Mark W. Johann and Sandra J. Treash.

$1-Million Mark Noted

Roger E. Anderson (l. at bottom of stairs), ch./CEO, Continental Bank, Chicago, presents a check for more than $1 million to Franklin A. Cole, ch., Walter E. Heller International Corp., and campaign ch., Crusade of Mercy. The money represents total contributions to the campaign by the bank's employees, some of whom line the stairway in this photo. Money pledged in the campaign is distributed throughout the year to various agencies. This was the first time Continental Bank's employees pledged more than $1 million.

'New Directions' Is Convention Theme For Indiana Bankers June 14-16

NEW DIRECTIONS will be explored by Indiana bankers at their annual convention set for June 14-16 at the French Lick Springs Hotel.

First event on the June 15 business-session calendar will be an ABA presentation by C. Robert Brenton, ABA president-elect, and president, Brenton Banks, Des Moines, Ia. Following will be the report of the IBA nominating committee, given by Mark H. Caress, committee chairman, and president, First National, Crawfordsville. Election of officers will take place at that time.

The second half of the program will be in the hands of R. M. Ranftl, corporate director, engineering design management, at Hughes Aircraft Co., Los Angeles, whose topic will be "Productivity."

The second day's general session will include a meeting of the Indiana members of the ABA; the president's address by Joseph W. Bibler, chairman, Northern Indiana Bank, Valparaiso; the annual BankPac information session; and a talk by Courtney F. Jones, treasurer, General Motors Corp., Detroit.

After the business sessions, bankers will be searching for new directions on the golf links and tennis courts.

Convention registration will begin at 3 p.m. on June 14. Other events set for that day include a past presidents' reception and dinner, both in the west dining room of the hotel.

Activities will begin on June 15 with an Indiana BankPac breakfast, followed by the opening of the registration desk, a women's coffee, the first general business session, a "Color Me Beautiful" program for spouses, a women's singles tennis tournament, a men's golf tournament, a women's luncheon, a Christmas craft exhibit for spouses, a tour of the House of Clocks and the Wednesday evening banquet, featuring Joe Griffith.

On tap for June 16 are a women's golf tournament, a session titled "How to Be a Wonder Woman," a putt-putt tournament, the second general business session, a cooking demonstration, a luncheon buffet, a tennis tournament, a women's bingo party and the concluding reception and dinner with

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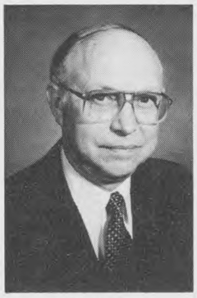
Joseph Bibler to Address Indiana Convention in June

Joseph W. Bibler, chairman, Northern Indiana Bank, Valparaiso, will deliver the traditional president's address during the second general business session of the Indiana Bankers Association convention on Thursday morning, June 16.

Mr. Bibler was elected IBA president at last year's convention. Serving with him as top IBA officers are William H. King, chairman, Second National, Richmond — IBA vice president; and James D. Strietelmeier, president, Columbus Bank — IBA treasurer.

Mr. Bibler entered banking in 1951 with his present bank, although it was



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KING

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then known as Farmers State, Valparaiso. He was named executive vice president in 1966, president in 1970, CEO in 1976 and chairman in 1981.

He has served the IBA as chairman of the legislative committee and president, Region II. He has been a vice president of the Independent Bankers Association of Indiana.

Mr. King entered banking in 1958 at Terre Haute First National. He joined Second National, Richmond, in 1965 as assistant trust officer. He received his present title of chairman in 1982.

Mr. Strietelmeier has been in banking since 1959. His first bank was Irwin Union, Columbus. He moved to his present bank in 1974 as vice president/cashier and was named president in 1976.

AFNB Reports Surplus In Balance of Trade Third Straight Year

INDIANAPOLIS — American Fletcher National has recorded its third consecutive annual balance-of-trade surplus under international-trade transactions supported through its world banking division.

AFNB supported $226 million in exports from the U. S. to foreign countries in 1982 and supported $146 million in imports, resulting in an AFNB-assisted balance-of-trade surplus of $80 million for the year.

In 1982, AFNB provided financial services for Indiana exports totaling $163 million. Principal export products supported were non-electrical machinery, transportation equipment, agricultural commodities and livestock.

Indiana is the nation's ninth largest exporting state. More than 800 companies and 144,000 jobs depend on Indiana products and services sold overseas.

Midwest Commerce Banking Co., Elkhart, has elected Thomas M. Payne senior vice president/corporate banking and David L. White vice president/commercial loan officer. Mr. Payne has been with the bank since 1973 and was vice president/commercial loans. Mr. White comes to the bank from Excel Industries, Elkhart.

Independents Voice Concern Over Administration Changes That Threaten Bank Survival

INDEPENDENT bankers voiced strong concern about the disorderly pace of change being forced on them by the Reagan Administration during their annual convention late in March. Members of the Independent Bankers Association of America say the Administration's actions threaten the profitability and survival of their banks.

Outgoing IBAA President Robert L. McCormick Jr. recapped the association's work with the DIDC, its support for favorable bankers' bank legislation and its objections to new call-report requirements, noon-presentment deadlines on check clearings and accrual accounting — in addition to an attack on withholding-at-source.

Mr. McCormick, who is president/CEO, Stillwater (Okla.) National, pointed to several accomplishments designed to help IBAA members cope with changes in bank administration. Among these were restructuring the IBAA's executive council, expansion of committees, constant review of association bylaws and development of new services, including new master pension and profit-sharing plans, an expanded risk-management insurance program, growing participation in the IBAA Barclays/Visa travelers-check program and the formation of a service corporation.

He decried the Garn-St Germain bill that portends greater concentration of banking powers in fewer institutions in the future by setting thrifts in head-to-head competition with banks. He found fault with the Comptroller's office "that continues to add banks and allows nonbanks to become greater bank competitors. Now life-insurance companies and securities firms are finding loopholes through which to establish uninsured interstate deposit-taking entities very similar to banks," he said. "The regulators seem to be saying, 'Let the market decide the number of financial supermarkets to be established and, if a large number of banks fail as a result, let them fail.' "

On the question of loan-loss disclosure, Mr. McCormick reasoned that banks would change their lending policies rather than report loan losses the public might not understand. "Banks are supposed to take risks to help borrowers. How come our competitors are exempt from such disclosure?"

Regarding the withholding-at-source legislation, he said "the Administration is thoroughly confused on this issue and the cost of such an unwise provision will be borne by the public."

He urged his listeners to be thinking of how each would operate in a completely deregulated industry. "It looks like the system is to be changed, and the IBAA will be working to make those changes as advantageous as possible for community banks. Meanwhile, we'll be improving our relationships with various state independent bankers groups and seeking ways to better our effectiveness," he concluded.

IBAA officers for 1983-84 are (from l.) Kenneth A. Guenther, exec. dir.; Robert L. McCormick Jr., immediate past pres.; Paul H. Bringgold, 1st v.p.; James D. Herrington, pres.; A. J. King, 2nd v.p.; and James R. Taylor, treas.

R. T. McNamar, deputy secretary of the Treasury, asked for better communication between the Treasury and the IBAA. He defended the government's position on withholding by reinterating that the issue involves the efficacy and perceived fairness of our tax system. He claimed that some 15 million Americans under-report or fail to report interest/dividends and that "if we continue to see the growth of tax evasion, the underground economy and phony tax shelters, then the perception that our system is fair for those who pay their taxes is gone. And with it goes our last hope of reasonable comprehensive tax reforms and our system of self assessment."

He asked banker support of increased funding of the International Monetary Fund. "If there was too much international lending in the decade of the '70s that contributed to today's problems, too little lending in the '80s would be disastrous," he said.

He told bankers to expect some further degree of deregulation this year or next and warned that members of the IBAA who simply oppose the Administration's comprehensive game plan and who have no alternatives to offer Congress when it begins to look for answers will be left out of the debate. He asked smaller banks to look for advantages to be gained from bank HC legislation the Treasury is developing.

Senator David L. Boren (D.-Okla.) won his audience with a rapid-fire account of the forces in place in Washington in his remarks about the national budget.

The Senate Finance Committee member assured the audience that the fight over repeal of withholding was far from over and questioned why the government can't match 1099 forms with income reports.

He seemed to think that Congress would not penalize bankers for instigating public reaction to withholding, adding that Senator Russell Long (D.-La.) was adamant in stating that Congress would not allow the tax code to be used against the banking industry. "But efforts may be made to increase taxes for the industry," he allowed.

Richard E. Lyng, deputy secretary of agriculture, described the payment-in-kind program as an excellent short-term solution to the surplus problem.

He applauded the efforts of everyone involved in farm credit for meeting the needs of farm borrowers, adding that ag banks are to be particularly

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commended for deferring interest payments and extending contracts to help borrowers. "Any farm-loan moratoriums could be devastating to the financial industry," he said, "but we should be doing everything we can to help those farmers we know are capable of making it through this time."

Moving up to the presidency of the IBAA was James D. Herrington, chairman/president, Coldwater (Kan.) National. Paul H. Bringgold, president, First National, Cannon Falls, Minn., became first vice president. New second vice president is A. J. King, president, Valley Bank, Kalispell, Mont. James R. Taylor, president/CEO, McKeesport (Pa.) National, was reelected treasurer.

Course Catalog Issued

A new course catalog of educational programs has been released by the Independent Bankers Association of America (IBAA).

Seminars and workshops sponsored by the IBAA include a bank-executive development seminar, three workshops on one-bank HCs, five workshops on spread analysis and asset/liability management and 10 micro-computer seminars.

Three commodity-marketing seminars are co-sponsored with the Chicago Mercantile Exchange.

Course descriptions, dates, registration fees and attendance limits are detailed in the eight-page brochure.

Free copies are available from David Jacobson, IBAA, Box 267, Sauk Centre, MN 56378.

Pitfalls of Retail-Securities Business Detailed by Management Consulting Firm

MORE THAN 75% of the nation's 200 largest banks will be in the retail-securities business by the end of 1983, predicts J. Bud Feuchtwanger, president, Feuchtwanger Group, Inc., a New York City-based management consulting firm.

Although the retail-securities business offers new opportunities for the banking industry to generate profits, attract new customers and open up markets, Mr. Feuchtwanger believes many bankers may be underestimating the difficulties involved.

"The ease of entry is seductive," he says. "Clearing and execution firms are doing an excellent job convincing bankers they can become brokers easily and quickly. However, signing up with a clearing agent, putting an order-entry terminal in an office, hiring a broker and running ads will not make a bank a successful long-term discount broker.

"The business is more complex than is usually appreciated," he warns. "Long-term success requires a greater in-depth understanding of the brokerage business and the changes that are occurring than most brokerage-business entrants have exhibited to date.

"Very few bankers ever have been exposed to a business where revenue can fluctuate 50% to 100% from day to day, over several weeks or months. And yet this kind of volatility is commonplace for the retail-securities market.

"Moreover, selling or marketing the service requires special skills. The discount business is direct marketing of an intangible service. . . . Initially, because of the bank's name and reputation in its marketing area, as well as the heavy market volume, the inflow of business should be good. This flow, however, may hide the weakness of marketing efforts and other structural shortcomings."

Other potential difficulties cited by Mr. Feuchtwanger include lack of knowledge about commission rates, problems in integrating the service into the bank's mainstream, and the fact that few banks have made plans to hire and train the right kind of personnel.

On the other hand, there are a number of attractions in the brokerage business for banks that are successful in avoiding the pitfalls. Among them are: profitability, new customer prospects for traditional services, low-cost soliciting of current banking and credit-card customers, utilization of the branch system as an effective marketing instrument, introducing the bank's name into new marketing areas, "wholesaling" services to correspondent banks and insurance companies at no incremental cost, opportunities to acquire accounts through purchase of existing securities firms' assets and preventing current customers from going elsewhere to conduct business.

"In sum," says Mr. Feuchtwanger, "the successful bank entrants into the retail-securities business will be those that move expeditiously, and also make sure they really understand the business." ● ●

ABA Publishes Sourcebook

The ABA has published the second and expanded edition of *Statistical Information on the Financial Services Industry*. Purpose of the publication is to help bankers keep abreast of the growth and changes in the financial-services industry.

The publication focuses on industry developments between 1971 and 1981. It specifies data on the growth of financial institutions and changes in their products, services and markets during the 10-year period.

Information on Ratios Contained in New Book

"Analyzing Ratios: A Perceptive Approach," by Jerry A. Viscione. Publisher: National Association for Credit Management, 475 Park Ave. South, New York, NY 10016. Hardcover, 124 pages. $14.95.

This book, says the National Association for Credit Management (NACM), shows how to perform a ratio analysis, how to construct, apply and interpret the "right" ratios for any problems. The result, according to the NACM, is that bankers will be able to spot trends and identify areas of strength and weakness and detect situations that appear out of line. In short, says the association, bankers will gain valuable perceptiveness into the financial health and future problems of firms they are analyzing.

Author Jerry A. Viscione has classified ratios into four broad categories: liquidity, financial leverage, efficiency and profitability, devoting an entire chapter to each category. Numerous ratios are listed and described in each category.

For reference purposes, a glossary of ratios is included, along with a brief description of each ratio and a page reference indicating where it's covered in the text.

Mr. Viscione is professor of finance and chairperson/finance department, Boston College. He has written "Flow of Funds and Other Financial Concepts" and "How to Construct Pro Forma Statements," both published by the NACM, and "Financial Analysis: Principles and Procedures." He also coauthored "Cases in Financial Management."

Videotape Rental Program Established by MABSCO

Incorporation of MABSCO Video Services, a videotape rental program, has been authorized by the MABSCO administrative committee.

The program will be designed to augment the present ABA purchase program and will be patterned after the successful Nebraska Bankers Association videotape library in respect to enrollment/rental fees and the type and quality of material available.

The incorporation was completed last month and the accumulation of a library is set to begin shortly.

MABSCO Bankers Services, Inc., was formed by 13 midwestern state bankers associations to research and provide services banks need to compete in the marketplace.

Dramatic Success of Money-Market Accounts Prompts Questions About Their Implications

GROWTH of money-market-deposit accounts (MMDAs) at banks and thrifts following their introduction last December has been well beyond earlier expectations, says the economic research division at Continental Bank, Chicago.

Institutions actively marketed the accounts by offering above-market interest rates and success was immediate. The premium offered on the accounts has narrowed substantially, but the rate of growth remains quite strong.

As a result, the level of outstandings in MMDAs was $267 billion as of February 16, second-month anniversary of the accounts. This figure is substantially higher than the $191 billion held by money-market mutual funds, Continental Bank says.

The fact that the rate for an individual institution floats on the basis of its assessment of the cost of other sources of funds not only will cause a significant change in the sources and cost of funds for banks and thrifts, but also raises the more interesting question of how it will affect lending and investment decisions.

Sources of MMDA Funds. Money-market mutual funds have not been the major source of MMDA deposits, Continental Bank says, even though MMDAs were introduced to meet competition from money-market funds. Since last December 1 the level of money-market funds has dropped by about $40 billion, which accounts for only about 15% of MMDAs, given the fact that a portion of the $40 billion undoubtedly was used for traditional year-end expenses.

By far the largest amount — about 60% — represents funds shifted from other deposit accounts, although not necessarily from within the same institution. The remainder has come from new savings or from investments in other financial instruments, such as government securities, Continental says.

Commercial banks have attracted the bulk of MMDAs, amounting to about $152 billion by early February.

In analyzing the impact of the deposit shifts into MMDAs at commercial banks, several interesting developments surface, Continental says. One is that the flow of funds from zero- or low-yielding accounts into the new accounts seems small. Demand-deposit accounts appeared to be little affected by the introduction of MMDAs, given the latter's limits on number of withdrawals. However, the introduction of Super-NOW accounts in January evidently attracted sustained shifts from regular demand deposits.

Savings accounts (primarily passbook) at commercial banks fell about $19 billion between mid-December and mid-February. If the entire amount had shifted to MMDAs, it would have amounted only to about 13% of the total at commercial banks. It seems likely that such a small shift from savings accounts reflects the fact that these deposits have been reduced consistently over the past few years in favor of higher-yielding alternatives.

> ". . . it is likely that banks and thrifts will attempt to keep rates on loans to both business and consumers higher relative to their overall cost of funds than they have been in the past (to compensate for high rates of money-market funds)."

Most of the total gain in MMDAs has come from small-denomination time deposits, which declined by $67 billion by mid-February at commercial banks alone. These include the "premium" rate products such as six-month money-market certificates and other longer-maturity deposits. The attraction of MMDAs over these deposits in part reflected the higher rate. But probably more important was the liquidity offered, particularly because investors may be reluctant to lock into extended maturities at current rates.

Implications of the new accounts. There seems to be little doubt that MMDAs have eased funding problems of banks and thrifts. The increase in MMDAs at S&Ls more than offset losses in other savings and time deposits in both December and January, with the result that net new deposits received reversed outflows that had been occurring for much of the past two years.

The sharp increase in new funds has allowed commercial banks to further reduce outstanding CDs, which have been declining since last August due to a lower level of loans. However, many banks feel MMDAs will be a permanent substitute for CDs to some extent. Prior to the introduction of MMDAs, funds drained from bank and thrift deposits into money-market funds were returned through purchases of new CDs.

Some analysts have questioned how stable MMDAs will be as a source of funds given their apparent interest-sensitivity and the fact that the rate premium on these accounts already has been reduced substantially and is likely to be reduced further, Continental says.

However, there are other benefits for depositors. Often cited is the fact that deposits at banks and thrifts are fully insured up to $100,000, while money-market funds are not insured. Probably even more important to consumers is the convenience of making deposits at a local banking office instead of using mail or wire transfers.

Moreover, banks are tying their MMDA accounts to other services. The biggest advantage to banks and thrifts is their ability to set a competitive rate while money-market funds pay a rate based on the return offered by short-term money-market instruments.

The more serious question is what effect the accounts will have on profitability, Continental says. Thus far, the impact has been only minimal at most banks, in large part because the growth of these accounts has come primarily from other high-yielding deposits and particularly six-month money-market instruments. However, it seems likely that banks' and thrifts' share of total funds in these deposits will continue to grow substantially and will raise their cost of funds over time, particularly at small institutions that have held a substantial amount of low-rate consumer deposits. Moreover, given the need to remain competitive with other money-market rates, the cost of funds raised through these accounts will fluctuate more quickly than on other types of deposits.

The problem is exacerbated currently by the weakness of business-loan demand, which generally would


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be a profitable use of the funds. Many banks that normally might have sold their excess funds in the fed-funds market or purchased short-term government securities will find these are not profitable alternatives. As a result, Continental says, it seems likely that banks will be forced to consider increased activity in the mortgage and consumer-credit markets or invest in longer-term securities in order to obtain yields exceeding the rate paid on MMDAs. These actions substantially increase the risk of a severe squeeze on profits in a period of rising interest rates.

Given these concerns, it is likely that banks and thrifts will attempt to keep rates on loans to both business and consumers higher relative to their overall cost of funds than they have been in the past. The other alternative would be to shift to floating rates for mortgages and consumer loans. ● ●

SELLING/MARKETING

Familiar Song Is Theme For Money-Market Campaign

First Wisconsin-Madison used the familiar notes of "Bill Bailey" to lead into its money-market campaign last December.

The campaign theme, "Won't You Please Come Home," was introduced on radio and in newspapers as a teaser. On the radio the "Bill Bailey" music, played honky-tonk style, ran with a voice-over by an actress who specializes in elderly characters. She read the theme "please come home" without identifying the bank.

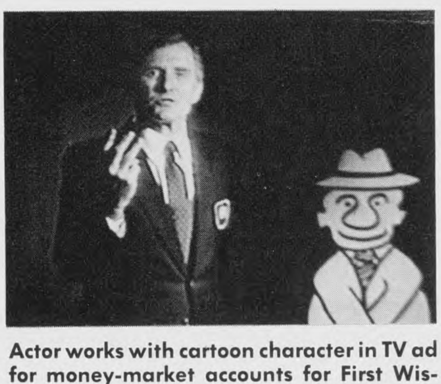
Print ads employed a group of cartoon characters, each holding suitcases with out-of-town destination stickers, and each with a sad face.

Copy for both radio and newspaper ads was forgiving in nature. It was understandable that people would want to "leave town," but it was "time to come home." There was no direct mention of money-market accounts.

In January, when the reveal portion of the campaign broke, the "Bill Bailey" music and the cartoon characters served as the transition elements.

In newspaper ads, the headline changed to "Come Home to First Wisconsin's Money-Market Fund" and the cartoon people all had smiles. On TV, the bank's spokesman walked on screen to the "Bill Bailey" theme, announced changes in the law that permitted the bank to offer money-market accounts and invited a life-size cartoon character to "come home to First Wisconsin."

Impact of the teaser campaign was immediate and bank officials were pleased enough to use the cartoon characters later to help sell money-market checking accounts.



Actor works with cartoon character in TV ad for money-market accounts for First Wisconsin-Madison that utilized "come home" theme.

Personal Computers Help Bank Customers Learn About IRAs

Comerica Inc. has installed Apple IIE personal computers at 64 locations in the Detroit area to help consumers understand individual retirement account (IRA) plans. The computers are programmed to answer general questions about IRAs, explain their benefits and enable consumers to determine their IRA balances at retirement.

"IRAs are confusing to many customers," says Mark Woods, Comerica assistant vice president. "Personal computers make it easy to explain the differences between various IRA options and select the IRA plan that best meets the individual's investment objectives."

The computer terminals are located in the lobby of selected Comerica branch offices and are available for use on a first-come first-serve basis. Instructions appear on the screen and lead the user through a series of questions such as:

What are IRAs and what kinds are there?

What is the maximum I can deposit in my IRA and how will it grow?

What are three common misconceptions about IRAs?

How do I choose the right IRA?

To select a question, the consumer presses a button on the keyboard and the answer appears on the screen. The consumer can have a specific question answered or can run through the whole program. The entire process takes about 10 minutes.

Comerica customer makes use of IRA computer with assistance of Joan Suckling, assistant manager. Computers are available at 86 branches.

"These computers are so easy to use most people will be able to sit right down and use the program," says Mr. Woods. Branch-office personnel are on hand to provide assistance when needed.

Campaign to Promote Bank's 'Upbeat' Image Proves to Be Success

When First National, Ponca City, Okla., conducted a research study last fall, results indicated the bank needed a more "upbeat" image than it had. So the bank hired a Tulsa advertising agency, Hinkle Brown Bloyed, Inc., to coordinate an identity/image campaign with the bank's marketing department.

The two-phased campaign began January 16 and lasted through February 11. It included newspaper, radio and outdoor advertising, point-of-purchase lobby displays, "Call Me by My First Name" employee buttons and employee participation in a teller contest.

Phase one's objective was to familiarize community residents with the bank's new "advertising" name, Ponca City First. Actually, its legal name remains First National Bank &

Trust Co. However, as Rex Edger, the bank's president/CEO, points out, " . . . We felt a need for a shortened name."

He says the shortened name ties in with Ponca City First's new ad slogan — "Serving You Right From the First" — and reflects the bank's long-standing community support through service, products and involvement in local activities.

Phase two of the campaign focused on Ponca City First's personal-customer attention. The bank promised to pay $1 to any customer not recognized by name by a bank teller while making a transaction.

"We always have tried to maintain a first-name basis with our customers," explains Loretta Long, marketing officer. "This phase of our identity/image campaign publicly illustrated how successfully we have done just that.

"The results were outstanding! Out of over 17,000 Ponca City First transactions in a two-week period, only $1 was paid to a customer not recognized by name. The teller making that transaction was a trainee."

Study Provides Details of Middle-Market Demand For Cash-Mgmt. Services

A recent study indicates that more than half of middle-market corporations surveyed obtain cash-management services from banks. A significant number of responding corporations use more than one bank for services and obtain services from out-of-state banks.

The study was made by Trans Data-Corp., Cambridge, Md., to determine where middle-market corporations are obtaining cash-management services.

Credit relationships appear to be of diminishing importance among middle-market corporations in their selection of banks for cash-management services, Trans Data says. More than 40% of the corporations surveyed maintain that credit relationships are "irrelevant" in evaluating cash-management services and more than a third indicate that the relationship is merely a factor considered.

As credit relationships decrease in importance, greater emphasis may be expected to be placed on obtaining fee-based services from banks, Trans Data says. Factors supporting this trend include the increased use of competitive bidding and an increasing corporate preference for paying for cash-management services through fees rather than compensating balances.

In addition to the pricing of cash-management services, the study found that most corporations place a great deal of emphasis on service quality, reliability and information timeliness in selecting banks for cash-management services. A major focal point of competition among cash-management-service providers has been the decreasing importance of the geographic location of the service provider, especially among larger middle-market corporations.

Thus, banks can expect heightened levels of competition from a variety of players that operate on a national level.

Competition from nonfinancial institutions is strong. Currently, more than 80% of the corporations surveyed that are under $25 million in annual sales, and almost two-thirds of the smaller corporations, have been approached by brokerage houses in the past two years. More than half the corporations have been approached by management/consulting firms.

ATM at Transit Depot

Alamo National, San Antonio, Tex., has installed an ATM at a mass-transit depot. The MPACT machine is at a city-operated park-and-ride facility used by thousands of downtown workers who park their cars at the depot and ride the bus downtown. Workers can use the ATM in the morning to get cash for the day and use it again in the evening to replenish their billfolds, the bank says.

Senate Vote on Withholding Alters Banks' Plans

AS THIS issue went to press, the U. S. Senate had gone on record favoring repeal of withholding by an overwhelming majority (91-5).

Actually, the chamber voted to delay implementation of withholding on interest/dividends for four years. Even then, it wouldn't take effect unless Congress agreed that taxpayer compliance hadn't reached certain prescribed levels.

The Senate action prompted the Illinois Bankers Association to cancel a seminar it had scheduled on the topic of withholding. Enrollment for the seminar was near 100, according to Jim Civik, director of communications/marketing for the IBA. The association decided to cancel the program rather than face an expected large number of cancellations.

The Senate action prompted Security Bank, Mt. Vernon, Ill., to put its withholding-implementation plans on indefinite hold, according to Gilbert E. Coleman, chairman/president. The bank has spent "a couple of thousands of dollars" already in implementing withholding, but it can avoid spending three or four times that amount if repeal makes it, Mr. Coleman said.

He says his bank is maintaining the pressure for repeal, and he is advising his customers to write directly to President Reagan now, since members of Congress have indicated they have received the message from the public that withholding isn't popular with constituents.

In Alabama, Mary George Jordan Waite, chairman/president, Farmers & Merchants, Centre, says the bank is still accepting exemption forms but has yet to take action to implement withholding. Mrs. Waite said she was so confident withholding would be repealed that the bank has done little to prepare for withholding.

She has figured that implementation would require the services of two additional staff people, but, even with the increased assistance, the bank would not have been ready by July 1. Her bank depends on one of its correspondents to provide the service.

I've always though repeal would happen, so we've done nothing to implement withholding," said Lindley Smith, President, Bank of Tuckerman, Ark. "If I'm wrong," he added, "my bank will have to file for a hardship deferment of withholding."

He said there's no way the bank's computer vendor could be geared up by July 1.

Irwin Union Bank, Columbus, Ind., has pulled back on withholding implementation, according to Karen Coldiron, vice president/operations. The bank hasn't spent a great deal of money yet on implementation, but it has printed exemption forms and is using them. A brochure explaining withholding to customers hasn't been printed yet.

The bank's implementation is provided by Systematics, Inc., software house in Little Rock. The implementation had been scheduled to be complete by May 1, but things are on hold for now.

Should withholding be deferred, the bank's primary savings will be in freeing personnel now involved with withholding implementation to do other work, Ms. Coldiron said.

Implementation has been complete for some time at Boatmen's National, St. Louis, according to Larry D. Bayliss, vice president. The system will be on a "ready-to-use" basis at the time withholding becomes a reality, which is inevitable, Mr. Bayliss said. ● ●

• **Robert E. Mannion** has joined the Washington, D. C., law firm, Caplin & Drysdale. He formerly was deputy general counsel, Fed Board of Governors.

• **H. Joe Selby** has moved up from senior deputy comptroller for national operations, Office of the Comptroller of the Currency (OCC), Washington, D. C., to senior deputy comptroller for bank supervision. He went to the OCC in 1958. Mr. Selby also has received the Treasury Department's 1982 EEO Award-of-the-Year. According to department officials, "Mr. Selby's outstanding contributions to the Comptroller's equal-employment-opportunity program and his personal commitment to equality for all individuals" prompted his selection. His former post of senior deputy comptroller for national operations has gone to Michael A. Mancusi, who had been deputy comptroller for the OCC's central district.

• **William E. Martin** has resigned as deputy comptroller for multinational banking, Office of the Comptroller of the Currency, Washington, D. C., to become executive vice president, Nevada National, Reno. He had been with the OCC since 1964.

• **Suzanne Franklin** has been promoted from associate national bank examiner to national bank examiner, Office of the Comptroller of the Currency. She remains headquartered in St. Louis.

• **Bruce K. Nichols** has been promoted to senior vice president in charge of the newly formed midwestern group of Bankers Trust of New York City's world corporate department. Based in Chicago, Mr. Nichols is responsible for the bank's business with major corporations and financial institutions in 10 midwestern states. He joined the bank in 1963 and established Bankers Trust's Chicago representative office in 1974.

• **Jack E. Edgington,** deputy to the chairman, administration, FDIC, Washington, D. C., retired April 1 and has been succeeded by Margaret L. Egginton. She was deputy to the chairman, public affairs. Mr. Edgington joined the FDIC in 1954 and Ms. Egginton in 1980. At one time, she was with First Kentucky National Corp., Louisville.

• **Mercantile Trust,** St. Louis, is phasing out its 18-month-old Edge Act office in New York City. According to President Neal J. Farrell, changes in both federal-banking legislation and the international economy that occurred since the branch's opening have greatly reduced advantages of the office to the bank and its domestic customers. The latter will continue to be served by Mercantile's international department in St. Louis.

• **William M. Issac,** FDIC chairman, also has been elected chairman, Federal Financial Institutions Examination Council, created under the Financial Institutions Regulatory and Interest Rate Control Act of 1978. It is composed of heads of the Federal Home Loan Bank Board, National Credit Union Administration, Office of the Comptroller of the Currency, FDIC and a member of the Federal Reserve Board.

Roger Lyon Dies

Roger A. Lyon, 55, died of cancer April 16, following a two-year illness. He was ch./CEO, Valley National Bank of Arizona and its parent HC, Valley National Corp., both of Phoenix.

Mr. Lyon, who was ABA treasurer, 1975-77, entered banking in 1950 at the former Chase National (now Chase Manhattan), New York City, as a member of the head-office training force. Later, he was in the correspondent-bank portfolio-review division and the investment/financial planning departments. In 1972, he became e.v.p. in charge of the institutional banking department, which included responsibility for correspondent-banking relationships.

In 1976, Mr. Lyon went to Phoenix as Valley National Bank's pres. In 1981, when Valley National Corp. was formed, he also served as its pres. Last September 1, he was made ch./CEO of the bank and HC.

He was 1982-83 president, Arizona Bankers Association.

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