

MID-CONTINENT BANKER

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INCORPORATING MID-WESTERN BANKER

JULY, 1983

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MCB Survey:

Discount Brokerage: 'Hottest' New Correspondent Service Page 8

Major Problems of Buyers, Sellers of Correspondent Services Page 12

Understanding Account Analysis: A Measuring Tool Page 14

Correspondent Service Makes Home Financing a Reality Page 18

Christmas Ideas That Work! Page 31



Holly Berry fawn will launch '83 Christmas Club promotion drives. Page 35

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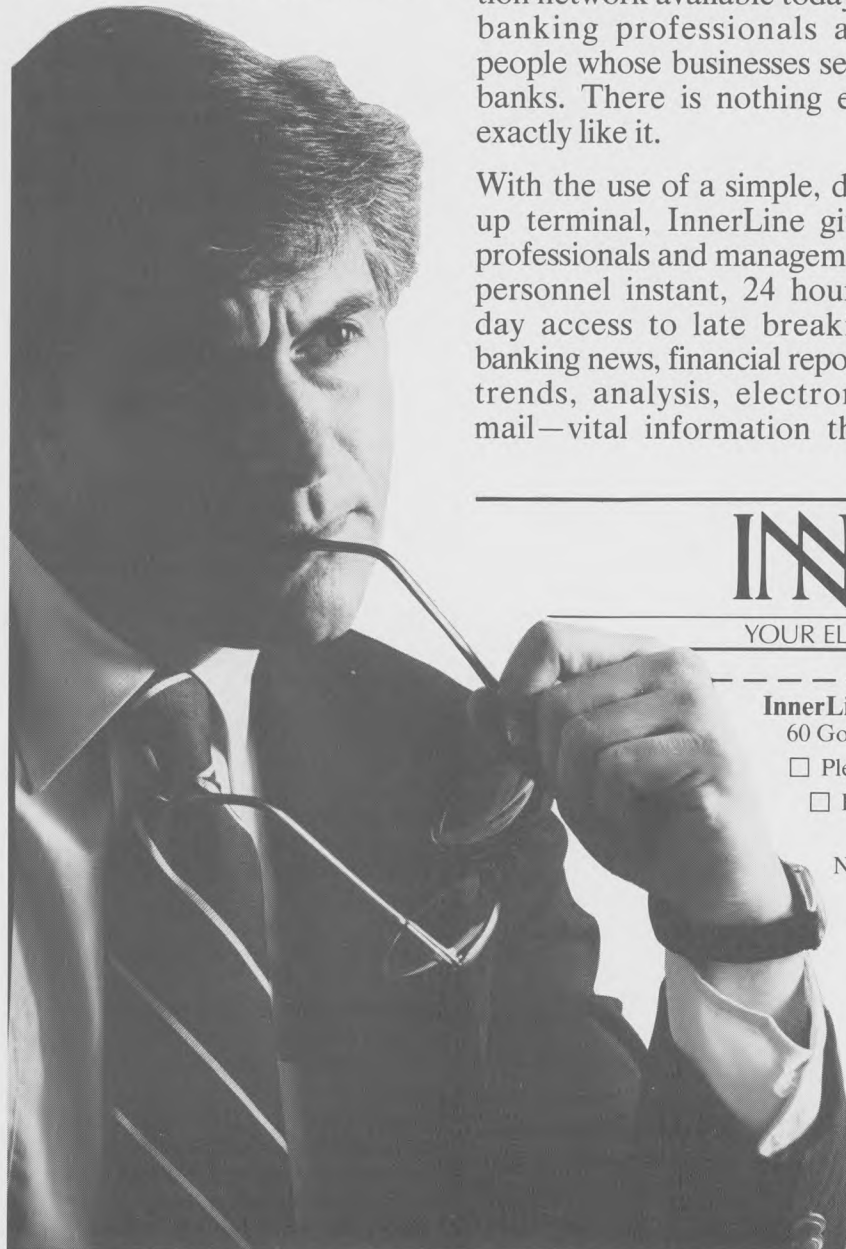
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(Incorporating MID-WESTERN BANKER)

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July, 1983

IN THIS ISSUE

- 6 THE BANKING SCENE
The technological revolution in finance
- 8 NEW CORRESPONDENT SERVICES
Discount Brokerage is "hottest" one
- 12 MAJOR PROBLEMS OF CORRESPONDENT SERVICES
They exist for both buyers, sellers
- 14 UNDERSTANDING ACCOUNT ANALYSIS
A monetary measurement of bank relationship
- 18 HOME-FINANCING CORRESPONDENT SERVICE
A new service that is popular with respondents
- 20 NEWS ABOUT BANKS/BANKERS
Promotions, elections, general news
- 31 CHRISTMAS IDEAS THAT WORK!
A potpourri of promotions any bank can use
- 42 INDIANA BANKERS FARE WELL IN LEGISLATURE
But ironing out structure issue fizzles
- 44 'BULLISH' BANKING PREDICTED FOR '83-'84
Report of Illinois BA convention

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Convention Calendar

- 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.
- Aug. 25-31: Bank Administration Institute Microscape, Chicago, Hyatt Regency Chicago.
- Sept. 7-9: Dealer Bank Association Government Securities Traders Seminar, Philadelphia.
- Sept. 11-14: ABA National Personnel Conference, Phoenix, Hyatt Regency.
- Sept. 11-13: Kentucky Bankers Association Annual Convention, Louisville, Galt House.
- Sept. 12-14: Independent Bankers Association of America Commodity Marketing Seminar, Chicago.
- Sept. 13-16: Bank Marketing Association Corporate Marketing Conference, Vail, Colo., Westin Alpine Resort.
- Sept. 18-21: Bank Administration Institute National Convention, San Francisco, Fairmont Hotel.
- Sept. 18-21: National Association of Bank Women Annual Convention, Dallas, Hyatt Regency Dallas.
- Sept. 18-23: Robert Morris Associates Loan Management Seminar, Columbus, O., Ohio State University.
- Sept. 18-30: ABA National School of Retail Banking, Norman, Okla., University of Oklahoma.
- Sept. 20-23: ABA National Bank Card Convention, Los Angeles, Bonaventure.
- Sept. 25-29: Consumer Bankers Association Annual Conference, Scottsdale, Ariz., Camelback Inn.
- Sept. 28-30: Dealer Bank Association Senior Funds-Management Roundtable, Boston.
- Oct. 2-8: ABA Management School for Corporate Bankers, Evanston, Ill., Northwestern University.
- Oct. 8-12: ABA Annual Convention, Honolulu, Hawaii.
- Oct. 9-15: ABA National Graduate Compliance School, Norman, Okla., University of Oklahoma.
- Oct. 10-12: Independent Bankers Association of America Advanced Commodity Marketing Seminar, Chicago.
- Oct. 16-19: Bank Administration Institute Cash Management Conference, Boston, Westin Hotel.
- Oct. 19-21: Dealer Bank Association Operations Seminar, New York City, Vista International.
- Oct. 23-25: ABA International Banking Conference, New York City, Grand Hyatt New York.
- Oct. 23-26: Bank Marketing Association Annual Convention, Atlanta, Atlanta Hilton.
- Oct. 23-25: ABA National Commercial Lending Graduate School, Norman, Okla., University of Oklahoma.
- Oct. 30-Nov. 2: Robert Morris Associates Annual Fall Conference, San Francisco, Fairmont Hotel.
- Oct. 31-Nov. 2: Conference of State Bank Supervisors, Federal Legislative Conference, Washington, D.C., Mayflower Hotel.
- Nov. 2-5: Independent Bankers Association of America, Seminar/Workshop on One-Bank Holding Company, Hilton Head Island, S. C., Hilton Head Resort.
- Nov. 6-18: ABA National Commercial Lending School, Norman, Okla., University of Oklahoma.
- Nov. 9-11: Association of Bank Holding Companies Fall Meeting, Seattle, Westin Hotel.
- Nov. 9-11: Dealer Bank Association Public Finance Seminar, New Orleans.
- Nov. 13-16: ABA National Agricultural Bankers Conference, Los Angeles, Bonaventure.

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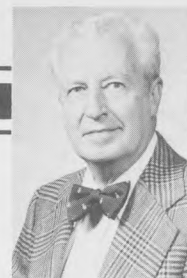
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MID-CONTINENT BANKER for July, 1983

5



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

The Technological Revolution in Finance

Bankers are aware of the revolutionary changes in the banking industry brought about by deregulation. They also need to recognize the impact of technical advances on financial institutions.

When I entered banking in New York, clearinghouse totals were proved by paper and pencil. We carried hundreds of pounds of paper checks that were separated and sorted by hand.

A generation ago, introduction of magnetic-ink-character-recognition (MICR) was a major step toward automation. MICR permitted machines to perform tasks previously done by humans.

A number of other concurrent developments had less application to banking. One was COMPUSTAT, a statistical computer data base developed by Standard & Poor's, which enabled the subscriber to access a vast array of ratios and numbers on public corporations. For those involved in investments and security analysis, COMPUSTAT was an extremely valuable tool, but it had limited value for banking, per se.

A little more than five years ago, the division of support services of the Board of Governors of the Federal Reserve System began making reports on bank income and condition from call-report data available on magnetic tape at the incredibly low cost of \$50 per report. The tape permitted more efficient data manipulation than did the FDIC's printout of bank-operating statistics.

Although I can't prove it, I suspect that magnetic tapes were more useful to academics than to commercial bankers. Of course, larger banks incorporated magnetic-tape data files into their internal systems and since then there has been a phenomenal growth of computer-related systems.

Let's play a game. Below are 10 of the many terms in current usage. How many are familiar to you? Nationet,

Cirrus System, Plus System, COMSPEC, SPECTEXT, TYMNET, DIALOG, Compendex, National Newspaper Index, Dow Jones Information Services.

Some of these — such as Dow Jones Information Services — seem to be self-explanatory and can be identified with an educated guess. However, even though you may read the *Wall Street Journal* religiously, do you know what the service provides? It provides a retrieval system for quotations on more than 6,000 stocks and securities traded on the major exchange as well as on the national over-the-counter market. It also provides information on revenue earnings, dividends, price-earnings ratios and stock price performance relative to market — indicators not only for companies but for about 180 industries.

NYTS stands for New York Times Information Service. Information Bank provides abstracts or prints with microfiche numbers. Orbit information retrieval systems is an on-line system providing reference sources to more than 80 separate data bases, including business economics, government legislation and various industries. The Source, a subsidiary of *Reader's Digest*, provides news from United Press International news wires, investment-marketing information and programs that perform business calculations.

Sixteen Source Plus is another data bank. Legi-Slate tracks all bills referred out of Congress. Comp-U-Star permits shopping for more than 30,000 items at discount prices. Management Contents is a key-word search-and-auditing service for reprints of abstracts from recent issues of 27 business journals. Media General, another data bank, provides a listing of 58 items with historical information on more than 3,000 New York Stock Exchange, American Stock Exchange, and over-the-counter stocks. West Law is an on-line system providing the ability to re-

trieve documents based on the appearance of words or phrases within a legal context. For example, it provides case summaries, head notes and classification-of-head notes by digest topic and key number.

Being with an academic institution, I have been fortunate in having access to many of these and other data banks, including Lexus — a competitor of West Law. However, I suspect that these data-base sources are, for the most part, underutilized by regional and community banks. Even a good number of state banker associations have extremely limited access to data banks.

A number of community banks have purchased mini-computers. While, for the most part, they are used for operations such as installment lending, more bank CEOs are becoming familiar with their potential for other applications.

However, let's face it, many CEOs — not only of community and regional banks but of giant banks as well — often are uncomfortable with the awesomeness of some data-retrieval systems. They prefer to have John do it for them. For John, there is a great opportunity to control the type of information the CEO receives. A number of CEOs are beginning to resent this and — some somewhat timidly, others more aggressively — are putting their toes in the waters of information-retrieval systems.

Most universities have superior access to data banks and capable individuals who can demonstrate how the banks can be used profitably. For several years, I have been trying to encourage bankers in the Mid-Continent region to take advantage of opportunities to learn more about this vital area. While a few have been enthusiastic, the majority simply have not supported the idea. There is an old saying that you can lead a horse to

(Continued on page 41)

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Discount Brokerage: 'Hottest' New Service Offered by Correspondents This Year

Survey Reveals What Correspondents Are Doing To Help Keep Their Respondents Competitive

THERE'S little doubt that discount brokerage is the "hottest" new service being offered to respondent banks by big-city correspondents.

City correspondents, including Drovers Bank and First National, both in Chicago; AmSouth and Central Bancshares, both in Birmingham, Ala.; Centerre Bank, St. Louis; and Springfield (Ill.) Marine — and many more — are energetically wooing respondents with promises of ample rewards from offering the service.

This fact emerged from a spot survey of correspondent banks conducted for this issue by MID-CONTINENT BANKER.

It's apparent that correspondent banks, always on the lookout for ways to provide new, meaningful — and profitable — products to their respondents, are doing the "homework" on discount brokerage and offering the fruits of their labors to respondents in neat packages.

The potential of discount brokerage is underlined by a study completed for the ABA earlier this year by Arthur Young & Co., titled "Assessment of Business-Expansion Opportunities for Banking."* The study identifies discount brokerage as one of three services most attractive to banks in their efforts to compete effectively with increasingly encroaching nonbank competitors. The other two services — insurance brokerage and real-estate equity — are not permitted to most banks, except in the few states that have lowered the bars on insurance brokerage.

Discount brokerage has the following points going for it, according to the Arthur Young study:

- High transferability of customer base.
- High system distribution, particularly in branching states.
- Low risk, low capital requirements, as well as a minimum of training requirements for personnel.

- Relatively high pre-tax profit margin.

Drovers Bank, Chicago, completed a series of seminars throughout its trade area last month at which discount brokerage was explained to prospective respondent bankers by Greg Beard, vice president/senior trust officer.

Mr. Beard discussed what discount brokerage is, what the advantages are with dealing with his bank and how a respondent bank can become a part of the program.

According to Mr. Beard, the program provides a means for purchasing or selling securities for a commission substantially less than the amount charged by a traditional full-service broker. The discount broker can charge a lower commission, he said, because its activity is limited to the execution of buy and sell orders directed by its customers. The discount broker doesn't provide investment advice, he added, nor does it offer counseling or research services for particular stocks or the stock market in general.

In explaining the Cole-Taylor Discount Brokerage Service, which Drovers offers, Mr. Beard said the program permits individual customers the option of having the proceeds of transactions automatically debited or credited to their designated account with a respondent bank or to separately remit proceeds to cover transactions independent of existing bank accounts.

Further, he said, due to the fact that the service is bifurcated, customers

* "Assessment of Business-Expansion Opportunities for Banking" is the title of the study authorized by the economic/policy-research division of the ABA. The complete study (688 pages) cost more than \$200,000 to prepare and is available to ABA members at \$75 per copy. It reportedly is the most sought-after report ever offered by the ABA.

can consider the separate custodial fee charged to them as a current, deductible, business expense. By claiming such a deduction, he added, the customer is able to reduce the actual cost for trading, resulting in additional savings.

"In addition, our individual customer is able to select among various methods of safekeeping or taking delivery of securities purchased through the Cole-Taylor service," Mr. Beard said.

He explained how the service operates. After a respondent signs up with Drovers, designated representatives of the respondent deal with Cole-Taylor on behalf of the respondent's customers to place orders. On settlement dates, respondents' accounts automatically are debited or credited for transactions. The respondent is responsible for collecting or delivering funds to individual customers.

Individual respondents, he added, may want to consider whether their customers will be required to designate an established account for debiting and crediting proceeds and fees of transactions in order to minimize any risk of non-payment or inability to deliver.

One question respondents asked Mr. Beard was whether customers can trade on margin or trade options through the service. Mr. Beard explained that the service is limited to cash transactions in the securities market at this point.

Another frequently asked question: When can a customer begin to trade?

With the written notification of the respondent's account approval, Mr. Beard said. Prior to any transactions, however, a respondent's customer should complete an application and execute an appropriate agency agreement establishing the custodial account.

Applications should be reviewed by

the respondent-bank's officer who is most familiar with the customer, following which he will approve or disapprove the account and set a trading limit for the customer. Then the customer is notified that trading can begin.

Although representatives of the service can't and won't give investment advice or counseling, they will provide factual information on given securities, such as current market price, last-bid price, last-asking price, annual high and low and certain dividend information.

Central Brokerage Services is the title of a new discount brokerage service offered to respondent banks by the investment banking division of Central Bank of the South, Birmingham, Ala.

According to Dan Matheson, the service offers respondent banks "the ability to successfully compete with heavyweights such as Merrill Lynch and Bache by offering fast, efficient and equally professional services for substantially lower prices to their customers." He added that Central's payback to respondents is higher than that paid by most brokerage firms, which means contributions to direct fee income could be "substantially greater" than those offered by other correspondents.

Brochures explaining the service were sent to prospective respondent banks prior to the July 1 startup date for the service. Mr. Matheson said the service is being offered because there are "a lot of banks out there that want it." He also says there is heavy competition among Alabama big-city correspondents offering this service.

AmSouth Bank, Birmingham, introduced its discount brokerage program earlier this year and Charlie T. Gray, vice president in the correspondent department, said the reception has been good. More than a dozen banks had signed up for the program by mid-June, with many others expressing interest.

The service is sold through the correspondent department and AmSouth provides participating respondents with training sessions. The bank also shares any commissions with respondents. The bank prides itself as being the first in its market with the service.

Springfield (Ill.) Marine Bank sells a brokerage package to other banks for a one-time fee, according to Ronald E. Sides, assistant vice president. In addition to customized camera-ready art work for the agency agreement, advertising campaign and confirmation forms, the bank provides staff training, an operating manual and rec-

ommendations on necessary equipment.

"Our brokerage service offers financial institutions the opportunity to position themselves as a leader in providing a full-range of financial services and, at the same time, earn 40% of the total fees generated, a return higher than most broker-provided services," Mr. Sides said.

A variety of other new correspondent services is being offered by banks responding to the survey.

Centerre Bank, St. Louis, has begun conducting strategic planning seminars for its respondents, according to William J. Barnett Jr., vice president and correspondent department head.

"Our strategic-planning program presents a structured, practical approach to determining a bank's most profitable long-term direction," Mr. Barnett said. "The program is proved with banks of all sizes and it's being used by each of the 22 banks that comprise Centerre Bancorp."

Centerre is about to introduce an asset/liability management-information system to help respondents cope with new Fed reporting regulations. "Centerre is making the reporting process easier," Mr. Barnett said, "combining a state-of-the-art computer system with our analytical expertise to deliver a broad-based asset/liability management-consulting service." (Continued on next page)

Forum Planned September 11-13 For Banks and Brokerages

WILL COMMERCIAL BANKING and the securities industries merge as Glass-Steagall dissolves? Or will an even hotter competitive battle emerge as banks and brokers continue to fight for the consumer-investment dollar? These questions will be addressed at the national brokerage conference, scheduled to be held September 11-13 at New Orleans' Marriott Hotel. It will be sponsored by the Bankers Institute, headquartered in Corte Madera, Calif.

Designed as a common forum for the banking and brokerage industries, the conference will include a brokerage-services exposition, which will feature displays and exhibits by leading brokerage and support organizations that provide services to banks entering the discount-brokerage business.

Key aspects of emerging banker/broker relationships will be discussed, including: discount brokerage, full-service brokerage, secondary-CD marketing, brokerage of money-market accounts, asset-management accounts and the role of advice in consumer-investment services. Presentations will address strategy, product development, financial marketing and operational aspects of various types of brokerage services.

"A 'brokerage revolution' is on us," says James M. Shelton, president, Bankers Institute. "Discount brokerage and bank entry into the securities field is one of the most significant developments to occur in banking in the past 50 years. Banks and brokers now must assess their roles in the consumer-investment market."

Mr. Shelton points out that the conference is designed for brokers and bankers. As banks get into the securities-brokerage business, he points out, new opportunities also will open up to the securities industry as suppliers. As he puts it, brokerage firms now must assess their role in the deregulated environment in terms of whether they want to be partners with or competitors to banks, or walk the fine line of being both. Also, says Mr. Shelton, it will be more productive to both industries if legal differences can be resolved in the conference room instead of the courtroom, with the marketplace determining the final outcome.

A major brokerage-services exposition will include displays of products and services offered to banks/thrifts entering the retail-securities field. Exhibitors will include: discount brokers, clearing firms, quotation systems, research/consulting firms, data systems companies and large banks offering services to smaller correspondent banks. A "Brokerage Services Guide" also will be prepared, and it will include a description of service offerings available to banks.

Further information on the conference may be obtained from: Bankers Institute, 21 Tamal Vista Blvd., Corte Madera, CA 94925.

Chase Offers Cash-Letter Products

NEW CORRESPONDENT services offered by Chase Manhattan Bank, New York City, include cash-letter products, according to Frances H. Schmidt, second vice president. Three such services are:

- **Off-Peak Cash Letter.** Chase accepts for deposit into accounts of its respondents fully encoded checks drawn on New York City banks. Items are further sorted for presentation and collection at the New York City Fed and the New York City Clearing House. Off-peak items submitted before 6 a.m. cost from \$.02 per item for mixed to \$.035 per item for off-peak 2260s. Late off-peak items, after 6 a.m., cost from \$.025 for mixed to \$.040 for 2260s.

- **Chase-Only Early-Morning Cash Letter.** Deposits, consisting of checks drawn only on Chase, presented between midnight and 9:30 a.m. daily, receive immediate credit. Costs range from \$.0005 per item for Chase-only a.m. items to \$.10 for Chase-only regular items.

- **On-Us Share-Draft Letters** presented by respondent banks for credit to their accounts with Chase. On-Us Share-Draft cash letters are fully encoded, endpoint sorted and sorted and comprised of share drafts drawn on credit-union accounts with Chase. Prices for items presented before 4 a.m. range from \$.005 each for 200M items or more to \$.01 each for up to 200M items. From 4 a.m.-7 a.m., items cost from \$.005 each for 300M items or more to \$.015 each for up to 100M items. From 7 a.m. to 9 a.m., items cost from \$.01 each for over 300M items, to \$.02 each for up to 100M items.

The bank also has formulated a comprehensive personnel-services package to address the increasing complexity of employment practices in the banking industry. The package enables respondents to receive assistance in the areas of salary administration, employee relations, resource planning, affirmative action and other areas, Mr. Barnett said.

Centerre works with the Bryant Planning Group to offer respondents and corporate customers assistance in the areas of estate planning, executive-benefit planning, employee-benefit planning and business insurance.

The bank is planning a brokerage service that will offer discount commissions.

Hutchinson (Kan.) National has two new programs for respondents. The first enables respondents to clear items directly with the bank, bypassing the Fed and reducing costs. "We offer our customers the advantage of availability and lower per-item handling charges," said Dean R. Thibault, vice president.

The second service is an account-analysis program whereby respondents are hard-dollar charged whenever the six-month average on the analysis of their account is a loss. "This provides our respondents the opportunity to use excess balances over a six-month basis and/or to pay for services in hard-dollar fee charges if they are not able to maintain adequate balances," Mr. Thibault said.

First National, Chicago, lists three new correspondent services, including a computer-based asset/liability mod-

el, discount brokerage and new-check processing services that include price reductions for items under \$100 and for those arriving during "off peak" hours.

Deposit Guaranty National, Jackson, Miss., recently published a Loan-Procedures Manual and is offering it to respondents for a fee. Response has been excellent, according to Barney H. Jacks, senior vice president.

As reported elsewhere in this issue, Union Planters Mortgage Co., an affiliate of Union Planters Corp., Memphis, whose lead bank is Union Planters National, is offering a correspondent mortgage-banking program that enables respondent banks to offer various types of home mortgage plans to their customers.

Two plans are available. The first requires Union Planters to take loan applications, prepare necessary documents and obtain all verifications prior to submittal to the mortgage affiliate, which orders appraisals, processes loans, obtains approvals and prepares for closings.

Plan two provides for the respondent bank to take loans all the way from applications to closings, at which point they are purchased by the mortgage affiliate.

More than 100 respondents had signed up for one or the other of these programs by June 1.

Trust Company Bank, Atlanta, is offering the bank's answer to asset/liability management for banks. "We have experienced a good reception to the product," said John E. Foster, vice

president, "signing up some 30 banks in just four months. To me this is even more impressive in light of the 'mini-computer rage' that touts 'do-it-yourself' software. This tells me that correspondent banking is alive and well."

The program is named "GAPS," which stands for Gap Analysis and Profitability Service. It analyzes the gap between rate-sensitive assets and liabilities and projects profitability.

"GAPS requires no investment in computer equipment or programs," Mr. Foster said. "You simply supply appropriate balance-sheet data and Trust Company handles the rest on a straightforward and competitive annual-fee basis." The service also includes advisory services of Trust Company's staff at no extra charge.

Commercial National, Shreveport, La., is offering respondent banks its Individual Financial Services (IFS). The service enables a bank to provide its upscale customers with a one-stop financial shop at which they can handle all their money matters. "I believe this department signals the new wave of the future in supplying financial services," said Fred N. Myers Jr., assistant cashier.

Services are offered with a charge from the participating respondent bank to its customer or a fee-splitting arrangement between Commercial National and the respondent.

Response has been substantial, Mr. Myers said.

Commercial National also offers a discount-brokerage service and handles the buying and selling of bonds and securities for individual customers.

First National, Louisville, has developed a consulting services area of its correspondent banking division. Its purpose is to provide services *for bankers by bankers*, said Ken Reinhardt, vice president.

A popular new service developed by

More Assistance Offered

Merchants National, Topeka, is increasing its services to respondent banks, according to W. E. Levering, senior vice president.

New services include discount brokerage, assistance with trust-service needs and assistance in operations, in-house auditing, human resources and marketing.

The bank plans to offer micro-computer services soon in several areas. This new service will be in addition to services currently provided by the bank's main-frame computer data processing.

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First National for its respondents is a credit analysis school/workshop that features one-on-one contact between correspondent-bank instructors and respondent-bank students. The curriculum is similar to that offered by First National to its own employees and it basically covers the procedures First National uses in its own shop.

The school consists of two day-long sessions and features four instructors from First National's credit area. Two schools have been held so far this year, and three more are planned for the fall.

The response has been "tremendous," said Mr. Reinhardt. Students have come from respondent banks in Kentucky, southern Indiana and West Virginia. The bank plans to solicit respondent banks in Tennessee soon.



Taking part at First of Louisville's credit analysis school/workshop are Kentucky bankers Ray Plummer (l.), s.v.p., Beaver Dam Deposit Bank, and George E. Mays (r.), v.p., State National, Frankfort. Instructor is Jozsef Szilagyi, senior credit administration officer/school administrator, First of Louisville. School/workshop is one of several offered by First of Louisville to respondent banks.

Classes are limited to 25 students, and tuition is \$290 per student.

A loan-review school is scheduled for October and inquiries are already arriving in Louisville, many from banks that enrolled students in the credit-analysis workshop.

Other projects in the works include a problem-loan review school and a corporate sales school.

In addition, the bank offers an officer-call program to respondents with training conducted on the respondent's premises; a model policy manual that is customized to the respondent bank; and a cash-management service, in which First of Louisville is "transparent" to respondent-bank customers.

First of Louisville is utilizing its correspondent calling officers to market these new products, Mr. Reinhardt said. — Jim Fabian, senior editor. ●●

Survey Reveals Major Problems Of Buyers, Sellers of Corres. Services

By Richard G. Meloy
Vice President
Greenwich Research Associates
Greenwich, Conn.

Editor's Note: Greenwich Research Associates, a business-strategy research and consulting firm, has conducted surveys of the nation's largest banks that purchase correspondent services four times since 1975. Following is an overview of the latest survey, based on interviews with 2,600 individuals at 890 banks.

THREE major problems exist for both buyers and sellers of correspondent banking services among the nation's 890 largest banks:

- The elements of profitability and the scope of services required to serve the market are not clearly defined.

- Uncertainty surrounds the likely pace and extent of movement toward interstate banking.

- Federal Reserve banks' plans to expand service capabilities and compete more aggressively could change the nature of the business.

Two broad market segments exist in correspondent banking for which separate business strategies need to be designed:

- A regional business strategy designed around a broad-based correspondent-banking market.

- A national business strategy designed around highly defined segments within the national correspondent market.

The major challenge for bank managements — whether at large money-center or regional banks — is to realistically match the geographic definition of their markets with the capabilities of their own organizations.

Our research covers 23 of the most often used correspondent services. The correspondent business is driven by four key services:

- *Cash-letter* service is a lead service in most banks' strategies. Availability schedules are critical. Efforts to improve cash letter availability must be continuous. Competition exists not only from commercial banks but also from Federal Reserve banks.

Mr. Meloy served as a lending officer at First National, Chicago, as a consultant with Booz, Allen & Hamilton and director of corporate services at the Marling Group prior to joining Greenwich Research Associates.

- *Securities-handling* service must be available. For non-New York banks, the development of a fully competitive securities-handling capability is a significant challenge.

- *Loan-participation* service must be equally balanced with both upstream and downstream loans. Consistency and speed of response are key factors for success.

- *Direct-credit* availability offered at competitive rates must be provided to bank holding companies. The principal credit service is for commercial-paper backup, but willingness to make term loans on a selected basis also is important.

These services form the "core" of a bank's correspondent service scope. Without them, correspondent banking capability is limited.

Before a bank can fully implement its correspondent-banking strategy, it must clearly distinguish between relationship and transaction sales objectives. Separate strategies need to be developed for each customer.

- A relationship-sales strategy targets "bottom line" profitability on a "blended service return." The providing bank must have strong capabilities in the most important correspondent services for each correspondent market segment selected. Tier selling with the correspondent bank is required, resulting in "people-intensive" marketing and servicing. Offering "unprofitable" stand-alone services is sometimes required. Profitability analysis, accurately designed on a *global* basis, is mandatory.

- A transaction-sales strategy is based on individual services that can be produced and distributed to meet bankwide profitability standards. These services are sold and priced independently of each other. Services are sold *to* specialists *by* specialists. A wide range of services is unnecessary.

- These strategies are not mutually exclusive, but the bank must know its dependence on each strategy on a customer-by-customer basis.

In a market dominated by uncertainty, the banks that plan most carefully for both short-term and long-term opportunity will be the winners. Clarity of market definition and of purpose and objectives in serving that market is essential. Two things are certain: Correspondent banking is changing and the rate of change is accelerating. ●●

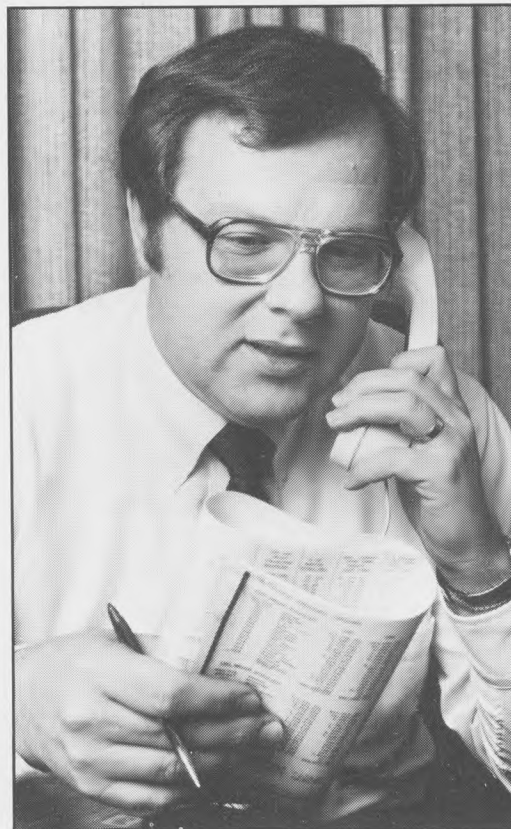
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GETTING IT DONE

Understanding Account Analysis

By Rick D. Shirrell
And
Joseph T. Calvaruso

THE AUTHORS have noticed recent increased concern among both correspondent and respondent financial institutions with the cost/benefit of their relationships. The account-analysis statement, a document normally prepared each month by the correspondent bank, is designed to monetarily measure the relationship between the two.

The statement compares balances the respondent bank maintained to that calculated by the correspondent as needed to profitably support services rendered. It theoretically indicates whether the respondent bank is maintaining sufficient deposit balances at the correspondent to cover both the costs of, and a margin of profit for, services performed.

Discussion of account-analysis statements has increased recently due to several factors:

- Recent decline in interest rates is reflected on the analysis by increasing balances required by the correspondent.

- With the impact of deregulation and other factors, many correspondent banks have become more cost-sensitive, and services are being added to the analysis that may not have been previously included. In addition, many correspondent banks have found it necessary to adjust their fees for services to maintain service quality.

- Competition has increased, both within the commercial-banking industry and through increased marketing efforts on the part of the Fed.

It thus is deemed important for both the upstream correspondent and the downstream respondent to understand all aspects of the analysis statement and uses for which it is designed.

Rick Shirrell and Joseph Calvaruso are financial-institution consultants with the St. Louis office of Peat, Marwick, Mitchell & Co.

It is not uncommon to encounter banks that do not receive analysis statements from their correspondents. Substantially all correspondent banks prepare account-analysis statements, and they generally are available for the asking.

This discussion is geared toward enhancing the comprehension and relevance of the statement as it is used by the industry.

Obtaining the Analysis

The first step in this process is, quite obviously, to obtain analysis statements on all significant deposit accounts. It is not uncommon to encounter banks that do not receive analysis statements from their correspondents. Substantially all correspondent banks prepare account-analysis statements, and they generally are available for the asking. From the authors' perspective, analysis statements should be obtained monthly on all correspondent accounts.

Analysis-Statement Review

For illustration purposes, a simplified analysis statement is presented in Exhibit 1. The form, content, preparation methodologies and accuracy of the statements will vary by institution, and the exhibit is for discussion purposes only. As described, the sample account-analysis statement normally will consist of two major sections.

The first is a calculation of the deposit balance maintained at the correspondent for the respective period

Exhibit 1

CORRESPONDENT NATIONAL BANK

July 1983

ANALYSIS FOR: Respondent State Bank

	Balance Maintained
Average Daily Ledger	\$ 580,352
Average Daily Float	(351,270)
Average Daily Collected	229,082
Reserve Requirement at 13%	(29,781)
Balance Available to Support Services	<u>\$ 199,301</u>
Earnings Credit*	<u>\$1,370.19</u>

SERVICES PERFORMED

Item	Volume	Price	Fee	Balance Required
Account Maintenance	1	\$ 10.00	\$ 10.00	\$ 1,455
Ledger Entries				
- Debits	30	.30	9.00	1,309
- Credits	95	.30	28.50	4,145
Deposited Items				
- In-District	19,427	.035	679.95	98,902
- Out-District	6,536	.070	457.52	66,548
Safekeeping	1	125.00	125.00	18,182
Other	-	-	98.00	14,255
			<u>\$1,407.97</u>	<u>\$204,796</u>
Additional Balances Required (Including Reserves)				\$ 6,316
Potential Service Charge				\$ 37.78

*EARNINGS RATE THIS MONTH - 8.25%

(normally a calendar month) and the portion of the balance available to support services rendered by the correspondent.

The second section details services provided the respondent bank, translated into either fees or a required balance.

A comparison then is made between the balance maintained (or an earnings credit) to the balance required (or fees for services) to calculate net gain or loss to the correspondent. This format is commonly followed by correspondent banks. Calculation of the balance maintained consists of three components: average daily ledger balance, average daily float and reserve requirement.

Average Daily-Ledger Balances. These can be calculated directly from the respondent bank's deposit statement. The amount shown on the analysis can easily be re-computed from the bank statement by totaling the balance at the end of each calendar day (including weekends) and dividing by number of days in the period.

Average Daily Float. While the respondent bank generally cannot recalculate this number, it is key to the analysis statement and should be monitored by the respondent. The major, if not sole, component of this number

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

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

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will be check-clearing float for items deposited at the correspondent.

Reserve Requirement. The correspondent bank normally must maintain reserves on deposit balances it carries for respondents; therefore, reserves generally are deducted from the average daily collected balance maintained by the respondent. The rate at which these reserves are calculated often is the highest reserve rate assessed the correspondent in the tiered-rate reserve calculation.

Subtracting the average daily float and reserve requirement determines the balance which, in the estimation of the correspondent bank, is compensation for the service it has provided. As previously noted, the compensation may be stated either in balances to support services or an earnings credit based on the balance. In Exhibit 1, both the balance available and the earnings credit are shown. The earnings-credit rate used by the correspondent should approximate prevailing short-term interest rates.

Services Performed

The second section of the analysis statement entails a calculation of fees to the respondent for the services it has been providing during the respective period. The format of this section, as seen in Exhibit 1, typically is a description of the service performed; volume count of the service (such as number of

items deposited) and a per-item fee for the service. Again, calculation of what was required of the respondent to support services received may be expressed in either fees or balances. The authors observe two significant changes occurring in this section of the statement. One is inclusion of additional services provided in the analysis statement that previously had not been analyzed. The second is increases in fees for services as the correspondent-banking industry more accurately analyzes its costs of services being offered and used by its customers.

With calculation of balance maintained and balance required, the number that's the real objective of all previous calculations can be determined. The difference between the two indicates whether the relationship was "profitable" or not for the correspondent bank. The result can lead to some interesting interchanges between the correspondent banker and the customer.

Managing Analysis Statement

To maximize the usefulness of the account-analysis statement, the authors have a few recommendations for both parties to follow:

Monitoring float. The amount of float charged to the analysis statement by the correspondent is difficult for the respondent to manage and control. As

noted earlier, the largest component of float generally will be related to checks deposited at the correspondent. Increasingly more banks, however, are including float other than that related to check clearing in this total. Items that may be included consist of return-item float, float associated with credit-card and security transactions and other float "adjustments." The respondent bank should consider the following:

- Periodic review of the correspondent bank's availability schedule to ensure significant deadlines are being met.

- Computation of a few key "float ratios," such as average number of days to collect. These ratios then can be tracked from month to month and significant fluctuations investigated.

- Allocation of float being charged to the respective product lines and appropriate inclusion in the bank's pricing of services.

Controlling Fees. With increased competition in the correspondent-banking industry, opportunities frequently exist to reduce fees being charged to the analysis. This can be accomplished by packaging or sorting the outgoing cash letter in a manner acceptable by the correspondent. This will reduce the correspondent's handling costs.

In addition, the respondent should
(Continued on page 40)

WHAT EVERY DIRECTOR SHOULD KNOW ABOUT BANK HOLDING COMPANIES

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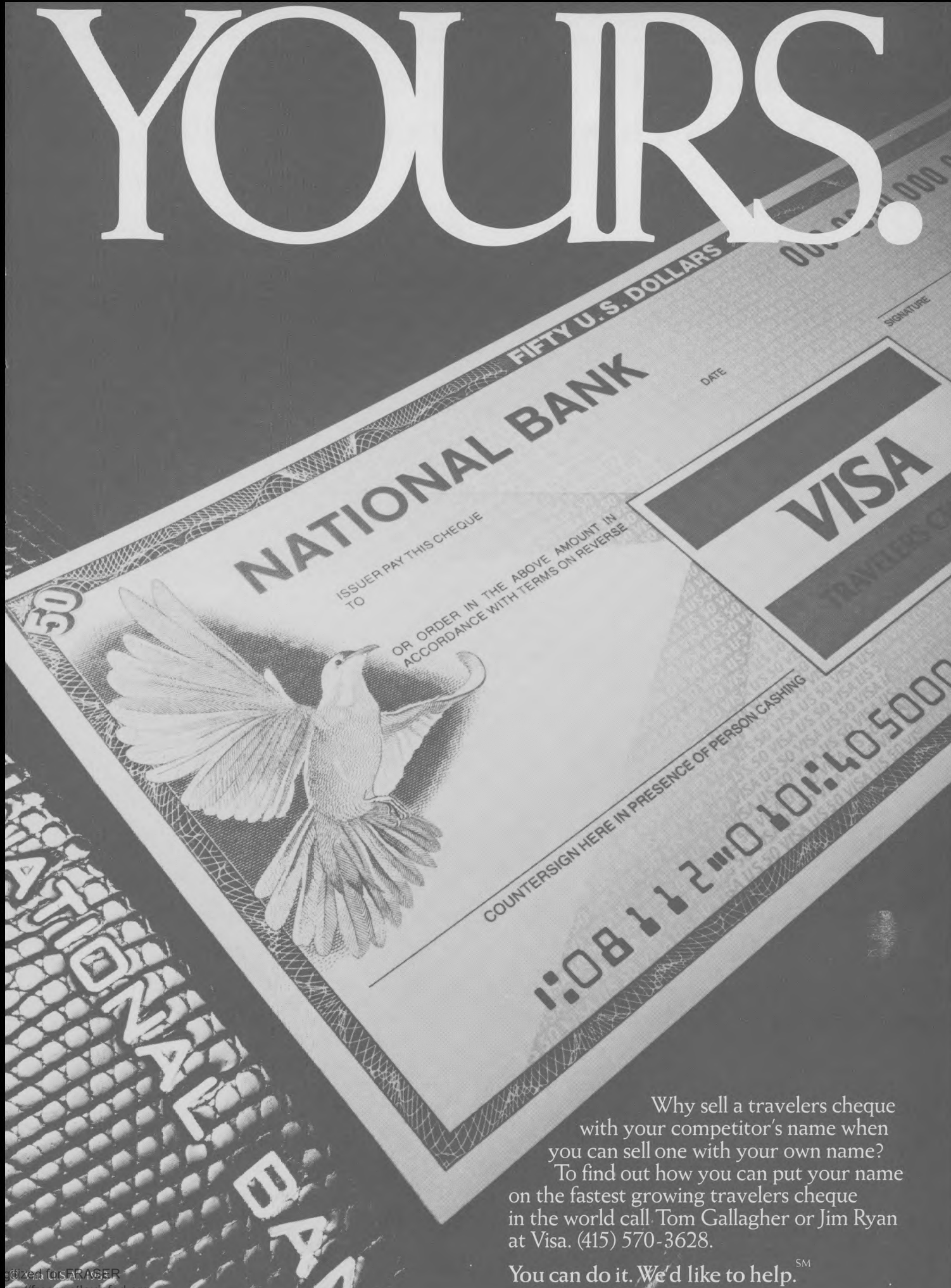
For a complimentary copy of "What Every Director Should Know About Bank Holding Companies" or additional information on bank holding companies or our other services contact:

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Popular New Correspondent Service Makes Home Financing a Reality

IT USED to be that, when someone walked into Merchants & Farmers Bank, Columbus, Miss., and requested permanent financing to purchase a home, he or she was turned away.

It happened time and time again. But not anymore.

That's because Merchants & Farmers now is participating in a correspondent mortgage-banking program that enables the bank to offer its customers conventional, FHA and VA permanent home financing for the first time ever.

Merchants & Farmers' management had been wanting to get into the home-mortgage business for several years. But about the time the bank was ready to make the move, rates skyrocketed, making it difficult for would-be homebuyers to qualify. Management decided to postpone the program indefinitely, or at least until the market stabilized.

Two things happened last fall to rekindle the bank's interest: rates stabilized to a degree and Barbara Crenshaw at Union Planters Mortgage Co. (UPMC) called on the bank to tell management about UPMC's correspondent mortgage-banking program. The program enables Merchants & Farmers to make mortgage loans without assuming the risk or incurring the expense that usually accompanies entry into the mortgage-lending business.

Two plans are offered by UPMC. Merchants & Farmers opted for "plan one," which requires the correspondent bank to take loan applications, prepare necessary documents and obtain all verifications. Loan packages are submitted to UPMC in Memphis, which orders appraisals, processes loans, obtains approvals and prepares for closings in conjunction with Merchants & Farmers' attorneys. ("Plan two" will be discussed later in this article.)

Each loan is funded entirely by UPMC, which pays Merchants & Farmers half the loan-origination fee for its role. Union Planters also services the loans and eventually sells them in the secondary market.

"Now we are able to offer our customers a complete package of financial services," says Shirley Rogers, manager of Merchants & Farmers' Leigh

Barbara Schwerin is v.p. and administrator of Union Planters' correspondent mortgage-banking program.



Mall Branch. "And that's the primary advantage we have over competing mortgage bankers. They can offer permanent financing only; but we can do it all — from construction loans to permanent mortgage loans to home-improvement loans to handling all of a customer's personal-banking needs. That's a real plus for us, and we try to sell the package, not only to our customers, but to real-estate agents as well."

Applications are taken at the bank's two branches rather than at the main office downtown because of the proximity of the branches to the growing residential areas of Columbus.

Mike Walker, manager of the Gateway Branch, says that, in addition to taking applications from Mississippians, he expects to begin taking applications from Alabamans, since the branch is within three miles of the



Shirley Rogers and Mike Walker, branch mgrs. at Merchants & Farmers, Columbus, Miss., handle mortgage loans. Bank uses correspondent service provided by Union Planters Mortgage Co., Memphis.

state line.

Because Merchants & Farmers' management knew it would take time to communicate the fact that the bank is in the mortgage-lending business, no volume goals were set for the first year. Currently, however, the bank has nearly \$1.75 million in the mortgage-loan pipeline.

"The relationships that local mortgage companies have established with real-estate agents and builders in the area have taken years to develop," Mr. Walker says. "We know we can't expect to jump in and take all the business right away. But, we're constantly working at it, and I believe over time we will get our share of the market. Our volume to date and the inquiries we have received have been very favorable, especially when you keep in mind how new we are to the business."

In addition to offering competitive rates, Merchants & Farmers is able to lock in discount points for a period of up to 45 days — something the competition hasn't been able to do. Citing an example that illustrates this benefit, Ms. Rogers described a case in which she was able to lock in a 1½% discount point, saving the seller from paying the then current discount rate of 6%.

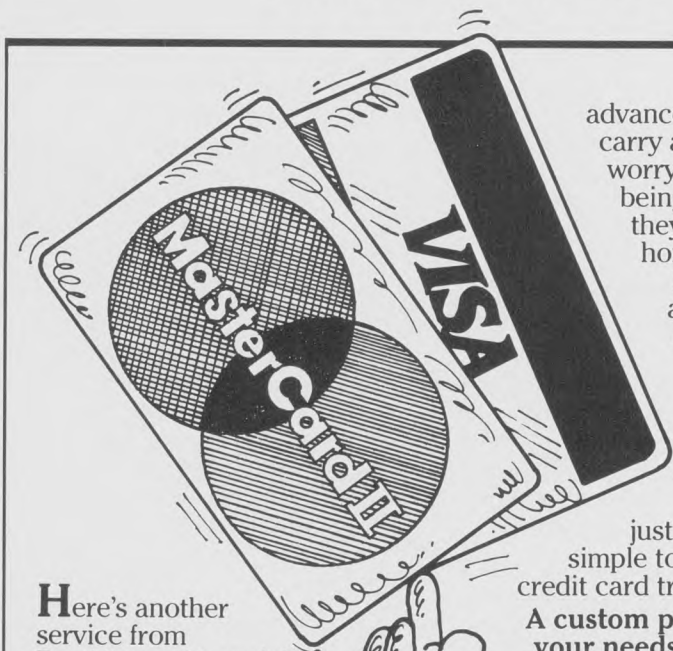
"In this particular instance, because of what we had saved the seller in discount points, he moved all his accounts to the bank," Ms. Rogers says. "We're not only excited about offering our customers the added convenience of first- and second-mortgage loans, but about the cross-selling opportunities we encounter as a result."

Another major benefit the Columbus bank has over other local banks is that it takes applications every business day. In the case of one competitor, whose loan officer travels a large regional area, applications are accepted only one or two days each week.

Following a brief training session in Memphis for Ms. Rogers and Mr. Walker, the bank officially kicked off its program in February by hosting a dinner meeting for Columbus real-estate agents and builders. Ms. Crenshaw drove down from Memphis to assist the new mortgage bankers in explaining the benefits characteristic of

(Continued on page 41)

HOW TO GET THE MOST FROM YOUR CHECKING PROGRAM.



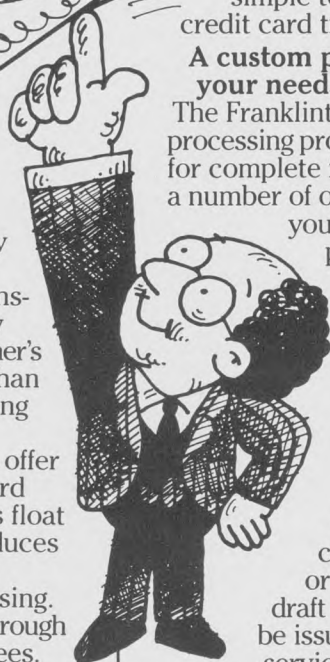
Here's another service from Franklinton Financial Services that can give you a competitive edge in the financial marketplace: The debit card.

It looks and works very much like a credit card. The difference is that transactions are electronically debited against the customer's deposit account, rather than charged against a revolving line of credit.

The debit card lets you offer your customers credit card convenience and reduces float for your institution. It reduces your operating costs by eliminating check processing. It generates new income through transaction and service fees. And its customer appeal helps maintain your existing base, while attracting new deposit accounts with higher balances.

Maximum customer convenience.

With debit cards, your customers have access to their checking funds at bank and merchant locations around the world, to make a purchase or draw a cash



advance. No need to carry a lot of cash or worry about a check being accepted when they're away from home.

Merchants appreciate the debit card, too. It reduces bad check losses and collection costs while increasing sales. And it's

just as quick and simple to process as a credit card transaction.

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or proprietary card. It can be packaged with other banking services such as Money Market and NOW accounts. It can be offered by application only or sent in an unsolicited mailing to selected account holders. It's really up to you.

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state-of-the-art processing techniques, including: plastic embossing, encoding and issuing; on-line inquiry, maintenance and automatic reissue; immediate reduction of account limits upon transaction authorization; detailed daily transaction summaries sent by magnetic tape or transmitted via automated clearing house; and comprehensive reporting on microfiche and/or printed form.

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Franklinton offers a number of services to make your operations more profitable and efficient. In addition to debit card processing, Franklinton also offers credit card processing, agent credit card programs, plastic preparation, participation in the AnytimeBank® regional and PLUS SYSTEM® national shared ATM networks and the Home Banking Interchange.™ Whatever the service, Franklinton has the capability, experience and flexibility to give you a valuable edge in this highly competitive age of electronic banking. To get your edge, call Del Tonguetta at 614/863-8222.



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NEWS

About Banks & Bankers

ILLINOIS

Continental Illinois National, Chicago, has named the following vice presidents: Daniel W. Taylor and Thomas J. O'Connor — bond/treasury; Stephen A. Lescohier, Anthony P. Moody and William E. Read — financial; Allen D. Brown and Derek W. S. Morrison — general banking; Thomas R. Williams Jr. — multinational banking; A. Cadry Genena — real-estate; Miranda L. Ferrell, James J. McGuire and Joseph A. Vilardo — special industries; Thomas F. McGrath and Susan M. Spalding — trust/investment; Thomas S. Bagley — U. S. banking; Douglas E. Meneely — operations/management; Susan G. Gleason and Edwin F. Skonicki — personal banking.

Judith C. Ostertag has joined Harris Bank, Chicago, as an investment officer, heading the section responsible for investment processing. She formerly was with First National, Louisville, where she headed the bond department.

Magna Group, Inc. (formerly First Bancorp of Belleville, Inc.) has acquired Fairview Heights Community Bank. Lead bank of Magna Group is First National, Belleville.

Richard G. Walker has been named president, Lake View Trust & Savings, Chicago. He formerly was senior executive vice president/chief administrative officer, Lake Shore National. Prior to that he was with Continental Bank.

William R. Smith has joined First National, Libertyville, as senior vice president/senior lending officer. He formerly was with Marina Bank, Chicago, and, before that, Continental Bank.

Bruce I. McPhee has been promoted to executive vice president at First Bank, Evanston, and Bradley S. Vallem, Roger C. Weissenberg, Veronica T. Mensch and Phillip K. Duncan were promoted to vice presidents.

James F. Dickerson has been promoted to senior vice president/Boulevard department at Boulevard Bank, Chicago. He has additional management responsibilities in the consumer-credit division. Boulevard Bank is the shortened name of National Boulevard Bank.

INDIANA

William K. Stanley has been elected trust-investment officer at Irwin Union Bank, Columbus. He joined the bank last year and at one time was a senior investment analyst at Merchants National, Indianapolis.

David V. Lakes has been appointed senior vice president/commercial financial services division, Lincoln National, Fort Wayne. He formerly was with BancOhio National, Cincinnati; BancOhio National, Akron; and Fifth Third, Cincinnati. He was in the correspondent department at the latter institution.

Lincoln Financial Corp., Fort Wayne, has entered the farm-management business through purchase of the farm-management portion of Walley Agricultural Service, Inc. The new department is part of the fiduciary financial services division of the HC and is managed by Dean Lichtensteiger, a long-time Walley employee.

Thomas L. Baumgartner has been promoted from controller to vice president/chief operations officer at Fort Wayne National. He succeeds C. Jeane Tuttle, who was named senior vice president/special projects. Succeeding Mr. Baumgartner as controller was Stephen R. Gillig, former assistant controller.

Robert Hill has added the duties of CEO to his position as president at National Bank, Greenwood. He joined the bank in 1958 and has been president since 1977.

MICHIGAN

Frank J. Sellinger has been appointed chairman/president-designate, NBD Troy Bank. He succeeds Frederick M. Adams Jr., who has been elected head of NBD's instaloan division. Mr. Sellinger joined NBD in 1964 and had been a first vice president since 1981. He will retain his position as head of the bank's eastern regional banking division.

NBD Bancorp., Detroit, has opened a Grand Rapids area headquarters under the direction of Thomas J. McDowell, first vice president. The office is at 190 Monroe St., N.W., and offers commercial loans, automated cash management, personal and corporate trust services and international financing.

Gerald L. Harvey has been appointed first vice president/head of the Central Group at National Bank of Detroit's national banking division. He directs commercial-lending activities to businesses in the central U. S. He joined NBD in 1964.

Peoples National, Bay City, has elected Karl E. Durant and Thomas E. Kraut vice presidents. Mr. Durant also is cashier. He formerly was with Citizens Commercial & Savings Bank, Flint. Mr. Kraut has been with Peoples National since 1963.

Comerica, Inc., Detroit, has announced the following appointments: At the HC: James L. Costello and Krista L. Lane to assistant vice presidents and Ann N. Kotwica to operations officer. At Comerica Bank-Detroit: J. Michael Fulton and Joseph A. Moran to vice presidents, Otto Kern to assistant vice president and Robert L. Quigley Jr. to product-manager officer. New officers at the HC: Frank R. Walczyk, vice president; Richard A. Filipp, assistant vice president; David J. Janusz, commercial-loan officer; and Lee R. Wyatt, personnel officer. At Comerica Bank-Detroit: Joseph L. Gravenstein and Leo W. Morrissey, assistant vice presidents, and Ann F. Putallaz, associate economist.



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National Boulevard Bank of Chicago

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MINNESOTA

Richard W. Osness has been promoted to assistant vice president at First National, Brewster. He joined the bank in 1978. James Kraft has joined the bank and is working in the lending and insurance areas.

National City Bank, Minneapolis, has promoted Jeffrey R. Arnold to vice president, commercial banking; Robert L. Comstock to assistant vice president, commercial banking; and Glenn W. Keller to vice president and branch manager. Amy C. Floyd and Ronald R. Russell, new to the bank, have been named personal trust officer and assistant vice president, commercial banking, respectively.

Bradley F. Roberts has joined First Bank Minneapolis as a correspondent banking officer. He formerly was with the Federal Land Bank, Norfolk, Neb., where he was assistant vice president/assistant branch manager. Stanley W. Kilbey, Paul S. Bauer and Kathryn B. Brewer were promoted to vice presidents and the following were named assistant vice presidents: Kent D. Carlson, Janet M. McKenzie, Thomas J. Peters, Lavern P. Fransen, Karen M. Sjoberg, Reid L. Van Duyn, Elizabeth L. Stirriup and Larry R. Hill. Otto V. Byhre Jr. has joined the bank as vice president, bond department. He is in charge of a new public-finance division.



ROBERTS

Norwest Corp., Minneapolis, has made the following appointments: Donald W. Ittner to the new post of vice president/corporate marketing; J. Bruce Jacobson to vice president/loan administration; Clyde R. Keller, R. Wayne Parchman and Ollie P. Yates Jr. to vice presidents; and Robert B. Boysen to marketing director/agriculture-business group.

Norwest Bank Minneapolis has appointed Dennis A. Lind senior vice president/bond department head. He joined the bank in 1979. Charles D. White has been appointed vice president/manager, financial futures division, a new post based in Chicago. The appointment marks the beginning of in-house financial futures trading for

both the bank and Norwest Corp. and eventually for other affiliate banks and subsidiary companies, correspondent banks and commercial customers.

The Minneapolis Fed has announced the retirements of Howard L. Knous, vice president/general auditor; Robert W. Worcester, vice president; and Richard C. Heiber, assistant vice president. They joined the bank in 1950, 1951 and 1940, respectively.

OHIO

Gordon C. Wagner, chairman/president, Commercial National, Tiffin, has been selected as a state banking industry spokesperson for 1983 by the Ohio Bankers Association. Mr. Gordon will make several one-day visits to cities across the state to address local news media, civic organizations and college business students. Mr. Gordon is one of 15 bankers serving as Ohio banking advisers.

June Shepler, vice president, Central Trust Co. of Northeastern Ohio, Canton, has been elected president, Stark County AIB Chapter. Other new officers are: first vice president, Neil Honsberger, United National; second vice president, Michelle Hagan, AmeriTrust; treasurer, George Downes, Central Trust; secretary, Lorene Pearson, Harter Bank & Trust; and state representative, Rick Cramer, Central Trust.

BancOhio National will be the first tenant in the new 10-story Four SeaGate office building now under construction in downtown Toledo. BancOhio National Bank Four SeaGate will offer corporate financial offices, trust and international services and a private banking center. The office will serve as BancOhio's headquarters for the northwest region. Opening is anticipated by next spring.

Larry C. Glasscock has been promoted to executive vice president in charge of corporate banking for AmeriTrust Co. and AmeriTrust Corp. He joined the bank in 1971 as a management trainee. Since 1981 he has been senior vice president in the national division of the bank.

Robert F. Urich has been named city executive at Huntington National, Kent. Mr. Urich, who also is a senior vice president, formerly was with Huntington National, Columbus, which he joined in 1969. He most recently was senior vice president in charge of human resources.

Richard C. Coriell has joined Huntington Bank of Northeast Ohio, Cleveland, as senior vice president/indirect lending. He formerly was with National City Bank, Cleveland. John P. Gonas was named vice president/manager, commercial lending, in the Metro Region West Office. He formerly was with Central National, Cleveland, where he was regional manager/branch banking. William T. McBride was named assistant vice president/trust investments, and Wally Wisniewski was named assistant vice president/consumer lending. They joined the bank in 1977 and 1972, respectively.

WISCONSIN

Susan Linck has been promoted to the new position of deputy director, Wisconsin Bankers Association. She continues as staff counsel and is responsible for internal development and member service projects and programs.



LINCK

Harold Meser, president, Green Lake State, retired last May. He joined the bank in 1961, coming from Wayside State. He will retain his title and remain on the board. Kenneth Friend, executive vice president, has assumed Mr. Meser's in-house duties.

David J. MacCudden has joined First Bank Milwaukee as assistant vice president/retail lending. He formerly held the same title at Heritage Bank, Milwaukee.

The Independent Bankers Association of Wisconsin will hold its second annual convention September 11-13 at the American Club, Kohler. The association is headquartered at 30 W. Mifflin St., Madison.

Gillett State has changed its name to Citizens Bank, Gillett, reflecting the bank's affiliation in 1981 with Citizens Bancorp., headquartered in Sheboygan. Gillett State was organized in 1921.

Nancy R. Barlow has been promoted to assistant vice president at M&I Bank, Madison. She joined the bank in 1972 and is slated to be manager of the new East Branch.

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The Second Most Powerful Man in Washington

AS ECONOMIC and banking news jumped from the financial page to the front page in recent years, there occurred a great transformation in the job of the chairman of the Federal Reserve Board. In a relatively short time by Washington standards, the public role of the chairman rocketed from being the chieftain of a small, but relatively respected, tribe of numbers-crunching experts into a public persona widely hailed by the media as "the second most powerful man in Washington."

What prompted this transformation?

"As long as finance was seen to be the exclusive province of financial specialists, the Fed chairman could operate in a low-profile way, while dealing with the general public could be left to politicians."

It was not the result of public-relations hype. It was not the result of personality. It was not the result of scandal. Occasionally, those factors focus the public's attention on one of the legions of public officials who work in this town, but that attention is always short-lived.

What, then, pried the Fed chairman out of the marble closet and into what seems to be permanent public prominence?

Several years ago, the definition of what constituted the "financial world" changed and the office of Fed chairman was forced to respond.

That world used to be a fairly close-knit group of bankers, brokers and other officials who were schooled in the arcane mysteries of "monetary aggregates" and "real vs. nominal rates of return." The Fed chairman sought to influence their perceptions and their decisions because, it was believed, these were the people who counted. It was thought that the impact of their decisions would then trickle down to affect the actions of the

public at large and, thus, the economy.

As long as finance was seen to be the exclusive province of financial specialists, the Fed chairman could operate in a low-profile way, while dealing with the general public could be left to politicians.

A revolution, however, began to erupt in the financial marketplace. Under the prod of inflation, the public began to educate itself about finance and to become involved in it.

Because it recognized that inflationary expectations on behalf of the public at large were driving inflation itself, the Fed took Main Street into its calculations. Because the financial world came to include just about everybody, the Fed chairman found he had to talk to just about everybody.

No longer could he be a leader in his obscure field, he had to become a leader, period. And, in a democracy, being a leader brings with it a commitment to establishing and maintaining a public presence and a public image. No longer could the Fed chairman concentrate solely on doing good, he also had to look good. A "star" was born.

The transformation of the Fed chairman into a public persona, however, brought problems.

The chairman had thrust upon him the responsibilities and risks that have traditionally marked the job of the professional politician. However, no one expected the Fed chairman to act like a politician — his was a highly serious mission: to protect the national treasure, the economy. Thus, the chairman does not enjoy the insulation, like selective hindsight, that politicians enjoy.

Furthermore, the job of communicating intentions has become much more difficult than it used to be. Fed chairmen in the past could talk to the people who counted in the language of banking, of finance, of economics. Today, the Fed chairman often must use standard English. The process of communicating also has become less direct. When Washington was a sleepy southern town, a financial writer who covered the Fed for one of the wire services used to peg his stories to what the chairman told him on the elevator. Within the hour of such a meeting, he had a story on the wire. This was direct and almost instant communication be-

tween the chairman and those who needed to know the direction of his thinking.

Today, when the chairman speaks, it most probably is in the context of a ritual media event. On these occasions, he is likely to be asked to comment on, say, the impact of contemporaneous reserve accounting on the "man in the street." He must manipulate these opportunities to transmit the message that he wants to transmit. Obviously, this method of operating calls for a resourcefulness, a flexibility and a sensitivity that one is unlikely to pick up by attending or teaching a

"To set the right goals and rally the public behind them now are the tasks of the Fed chairman. . . . these are the same standards that historians and political analysts use to judge the performance of U. S. presidents."

graduate seminar on classical economic theory.

The new responsibilities of the Fed chairman, however, do not mean that the old requirements of the office have disappeared. On the contrary, the Fed as a central bank continues to operate in the way it has operated — with few and temporary lapses — throughout the years. Monetary-policy decisions still are set by a slow, deliberative process after a presentation of detailed economic data and scenarios. The ends remain the same, only the means of implementation have changed. The job of Fed chairman demands an individual who can manage this decision-making in just about as abstract a field as one can find. To use a musical metaphor, the job now requires a person who can not only compose the opera but also go on stage and sing it as well.

To set the right goals and rally the public behind them now are the tasks of the Fed chairman. Interestingly enough, these are the same standards that historians and political analysts use to judge the performance of U. S. presidents. No other statement points

This column was written by Phil Battey, manager, editorial department, American Bankers Association, Washington, D. C.

out as well the scale and complexity of the job facing the Fed chairman.

In this context, Paul A. Volcker has set the standard for future Fed chairmen.

First of all, Mr. Volcker has carved out an image of being forthright.

Although his prose can be rather "stream of thought" at times, he always answers the questions that are put to him. It's not his problem that the listener sometimes cannot understand the answers.

He never projects the image of qualifying his actions. He came to Washington as a "white knight" intent on doing what he felt was right and he still has that reputation. For example, Mr. Volcker cannot be accused of modifying monetary policy for political ends.

As for his image with the press, no one has done it better. Not a wealthy man, when he took up the Fed post he made it no secret that his public service entailed a significant financial sacrifice. He thus won, as a person, the respect of a cynical Washington press corps which, for all its prejudices, appreciates such a sacrifice. ● ●

Bank, Insurance Interlocks OK'd

THE SUPREME Court has ruled that corporate directors may serve simultaneously on boards of major banks and insurance firms. The ruling rebuked federal antitrust officials who have been claiming since 1975 that such interlocks violate antitrust laws.

The 5-3 vote overturned a lower court decision that such interlocks violate the 1914 Clayton Act, which governs antitrust matters. Clayton specifically forbids individuals from serving simultaneously on boards of two or more large, competing firms.

The Supreme Court supported the position of banks and insurance firms that Congress never intended the Clayton Act to apply to bank directors.

The case — BankAmerica Corp. vs. U. S. — first reached the courts in 1975, when federal officials challenged five individuals who held dual directorships linking three of the nation's largest banks with four of the largest insurers.

The Justice Department, in its original suit, argued that permitting such interlocks would prove anticompetitive, since banks and insurance firms compete for the same loans, particularly as mortgage lenders. But the U. S. District Court for Northern California wasn't convinced such was the case.

However, in 1981 the U. S. Ninth Circuit Court of Appeals, in San Francisco, overruled the lower court.

On behalf of the Supreme Court's majority, Chief Justice Warren Burger wrote that the law does bar dual directorships from linking two competitors, "but excludes from this general prohibition interlocking directorates between banks."

It would take congressional action to reverse the court decision.

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NABW Annual Convention Set for Dallas in Sept.

"Positioning for Tomorrow: Strategies for Power and Profit" is the theme of the 61st annual convention of the National Association of Bank Women (NABW), set for September 18-21 at the Hyatt Regency Hotel, Dallas.

Keynote speaker will be Lawrence Chimierine, chief economist, Chase Econometrics, who will look at the forces affecting the banking industry and the new corporate structures that are emerging in response.

A follow-on session will feature representatives from various sectors of the financial industry — including Merrill Lynch, American Express, Beneficial Management Corp. and Southwest Bancshares — that will compare survival tactics and outlooks for the future.

A session on strategic planning will be led by Robert Metzger, managing principal at Metzger, Rau & Associates.

Sessions will be held to alert participants to new career challenges. Speakers will include Julia Walsh, chairman,

Julia Walsh & Sons, investment specialists; Chloe Aaron, former senior vice president, Public Broadcasting Service; Madeline Bohman, executive director, Bellevue Hospital; and Alene Moris, president, Individual Development Center.

Other workshops will focus on information systems, risk taking, leadership during transitions, situational problem solving and other management concerns.

During the annual business meeting, a proposal to admit nonbank financial women to NABW will be considered.

Financial/Funds Mgt. School Set for October by ABA

A new school designed for experienced mid- to senior-level bank investments officers and funds managers will be held for the first time October 15-21 at the University of Oklahoma, Norman.

Curriculum will cover the strategy and implications of bank planning, performance and positioning for the future. Core subjects will include improving performance using arbitrage

and hedging, maturity strategies, planning to increase bank returns and bank capital planning.

Electives will include international funding and arbitrage, developing and managing a trading account and financial futures strategies.

Attendees will receive instruction and hands-on practice using microcomputers for funds management decision making. Two case studies will be conducted, one measuring profitability and performance in an actual bank and the other dealing with bank mergers and acquisitions.

Concurrent with the new school will be a renamed ABA school of bank investments, formerly the national school of bank investments. The program will provide bank investments professionals with instruction in the areas of investments, portfolio management and asset/liability-management techniques.

Core curriculum will include analyzing municipal securities, managing liquidity, measuring interest sensitivity and introduction to financial futures. Several electives will be available.

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Personal Computers Prove 'Hot Topic' At Bank's Seminars

Personal computers are a popular topic now, as Huntington National, Columbus, O., can attest. When the bank decided to hold a seminar on "Things You Should Know Before Buying a Computer," 600 persons signed up after the seminar was announced in only one newspaper ad and on a couple of radio spots.

The bank held two sessions on one day at the Hyatt Regency in Columbus — one session for 300 at 5:30 p.m. and

a second session for the other 300 at 7:30 p.m. So many more also signed up that a third session was scheduled. They all were open to customers and non-customers.

Huntington National, which operates banking offices statewide, sponsored the seminars in conjunction with area computer dealers to provide information about advantages and uses of personal computers.

Headline speakers were Paul Kellam, editor, *Personal Computing* magazine, and Augustin Hedberg, author of the recent special section on "Choosing the Best Computer for You" in *Money* magazine. Programs also included hands-on exhibits and displays of various computers, direct access to the CompuServe Information Network and a presentation of the new Huntington bank-at-home service called BancShare.

Huntington National introduced its bank-at-home service last October. Customers went to the bank and asked questions that indicated most of them were "illiterate" as far as home computers are concerned. They didn't even know what questions to ask, a bank spokesperson reports. The seminar idea resulted from this situation.

In addition, the bank's business customers asked for a seminar geared to their needs, and the bank accommodated them.

Disaster Planning Workshops To Focus on Recovery

Two-day seminars designed to help banks prepare for and recover from unexpected catastrophes are planned by the Bank Administration Institute for September 12-13 in Baltimore and October 24-25 in Dallas/Fort Worth.

The workshops are sponsored in conjunction with Norwest Bank, Minneapolis. The bank's disaster-recovery plan enabled it to recover from a devastating fire that all but destroyed the

bank's headquarters last Thanksgiving Day.

Workshop sessions will be conducted by members of the bank's recovery planning team. Topics to be covered include the elements of a "total" contingency plan, protecting vital information and data processing operations, restoring key revenue-producing services, the role of the security officer and the importance of effective communications, both internal and external.

Among the course materials will be the BAI's 82-page "Emergency Preparedness and Security Measures" manual.

ABA Offers New Resource For Strategic Planning

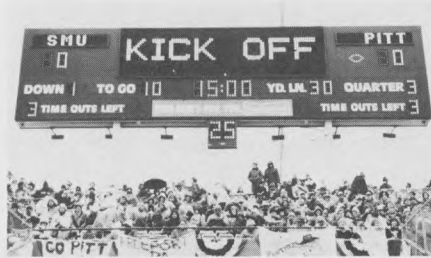
A new aid to banks developing or revising strategic plans has been released by the ABA's corporate-planning division.

"ABA's Planning Resource Directory" is a reference containing listings of more than 150 consulting firms and research organizations that banks can call on in their planning. In addition, professional and trade organizations are included in a separate section of the directory, with a third section devoted to statistical information sources.

Firms and organizations are listed both geographically and by areas of special expertise and range of services offered. Principal contacts, firm address, telephone number and size of banks served also are included in each listing.

Managers and personnel involved in bank strategic planning, as well as banking libraries, are expected to make use of this reference book.

New Scoreboard at Cotton Bowl



This new scoreboard was installed recently in the Cotton Bowl in Dallas by its manufacturer, Daktronics, Inc., Brookings, S. D., manufacturer of time-and-temperature signs and message centers for financial institutions. Scoring and animation centers consisting of 54x14-foot computerized boards are at each end of the bowl, with four supplemental scoreboards in other areas of the arena. The firm manufactures a wide variety of electronic devices.

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In many of the HC's affiliate banks gifts find their way to a wide circle of friends, some of whom range beyond the periphery of employees and customers — friends who live in the communities served by the banks.

Christmas has become a city tradition in St. Louis, thanks to Mercantile Trust, the HC's lead bank. The tradition begins on the weekend following Thanksgiving, when the bank is closed and Christmas hasn't slipped in yet and everything is a grandiose clutter. Bank personnel work amid boxes of greenery, dolls and lights, putting everything in order for Monday morning's opening.



Floor-to-ceiling Christmas tree at Mercantile Trust, St. Louis, soars over collection of employee-dressed dolls that are given to needy families on Christmas morning.

On the plaza outside the Mercantile Tower, the Salvation Army builds its Tree of Lights, a colorful fund-raising tradition.

Music floods the bank during the day. Mercantile's carolers present noon programs and organ concerts are presented during the morning and afternoon hours.

Dolls for girls and toys for boys are donated by employees and distributed to needy children through United Way agencies. Employees also donate gifts to senior citizens in centers and nursing homes.

Mercantile Bank, Springfield, also has an annual tradition — it donates a concert by the local symphony orchestra to the public. The Sunday afternoon concert is fully subsidized by the bank and plays to standing-room-only audiences each year.

Residents of Washington, Mo., know it's almost Christmas when they form a line extending three blocks or more from Franklin County Mercantile Bank to attend a reception honoring the local winner of the bank's art contest and to view all entries in an exhibit. The winning painting appears on the bank's calendar for the following year. Each guest attending the reception receives a reproduction of the painting, and the artist is on hand to autograph it. Bank personnel serve punch, champagne and Christmas pastries.

Most trees aren't in bloom at Christmas in Monett, Mo., but the "mitten tree" is in full bloom at First National Mercantile Bank! Girl Scouts and bank employees decorate the tree's branches with a wide variety of mittens, scarves and stockings for those in the community who may not be as warmly clothed as they would like.

In Kansas City, Red Bridge Mercantile Bank adopts a family and presents its members with a bountiful Christ-



Mercantile Bank of Springfield, Mo., presents "Carols of Christmas" symphony concert to community each holiday season.

mas that includes holiday food, clothing and toys. The bank's philosophy is that "everyone isn't fortunate all the time," a thought that encourages bank employees to bring a positive Christmas message to the community that goes beyond the material gifts they give — a message of hope.

In St. Charles, employees of Mercantile Bank of St. Charles County take themselves and their well-rehearsed caroling voices to the St. Joseph's Home where, amidst cookies and music, they give their time and talents to an appreciative audience.

In 1982 there was no community Christmas celebration at High Ridge Mercantile Bank, nor were there any decorations in the bank. Instead, there was a donation to the victims of floods that had ravaged the area.

Christmas throughout the expanses



"Mitten tree" blooms each December on premises of First Nat'l Mercantile Bank, Monett, Mo. Girl Scouts and bank personnel decorate tree with mittens, scarves, stockings.

of the Mercantile family of banks is marked by the desire of employees to give a gift to their communities. The

overwhelming support of such a gesture doesn't change — and that's tradition! ●●

represented to be part of the exhibit.

The bank's employee newspaper, "The Third Edition," published holiday recipes, photos and news relative to the season in its November-December issue. The front page featured a Christmas message from bank Chairman/CEO Charles J. Kane.

According to Ms. Rooker, "It was a busy time but the sights and sounds of the season had far-reaching effects."

Activity-Filled Holiday Season Celebrated at Third of Nashville

CHRISTMAS never is overlooked at Third National, Nashville! And the 1982 season was no exception, according to Daphne C. Rooker, marketing officer.

Preparation began long before the holidays arrived. For instance, the bank's Christmas choir began rehearsing in October. Last year the choir sang for the employees' Christmas breakfast in mid-December and then performed for the public in the bank's lobby over a five-day period.

The annual Christmas breakfast makes a requirement of employees for admission — either they plunk down \$2 or they bring a toy. After the breakfast, toys were distributed to children at Clover Bottom and admission fees were contributed to the Parade of Penies and Big Brothers.

Each of the bank's 30 offices was decorated by employees and East Nashville office employees made costumes to wear the working day prior to Christmas. Third National's main lobby was decorated with red poinsettias, greenery and a large tree. The executive dining room was decorated simply with an apple tree, poinsettias and bowls of apples festooned with holly.

Members of the bank's Christmas choir decorated a tram car from Opryland USA and entered it in the Nashville Christmas parade. Choir members rode the tram and sang carols during the parade.

One area of the bank's consumer-credit department adopted two families instead of giving gifts to one



Judges carefully examine entries in dress-a-doll contest at Third Nat'l, Nashville. Employees dressed dolls, but only those with "homemade" outfits qualified for contest.

another. The two needy families received toys, food, clothing and personal items. The families were selected with assistance from Big Brothers.

A dress-a-doll contest was held. Dolls were acquired through the AIB and were dressed by bank employees. Those with "homemade" clothes were entered in a contest and cash prizes were awarded.

The bank sponsors a "Trees of Christmas" exhibit each year at the local botanical garden. Each tree is decorated in the style of a foreign country. Last year, the bank arranged for live animals native to the countries



Employees in one area of consumer-credit dept. adopted two families and provided gifts for each member, including toys, food, clothing and personal items.

Senior Citizens Help Needy At Bank-Sponsored Party

The special Christmas observance of First Banks, St. Joseph, Mo., last year was the annual Christmas party for Dimension 60 members, according to Virginia Stephens, marketing representative for First National, St. Joseph.

Dimension 60 members are individuals who are 60 years old or more and who have a savings account with one of the First Banks. More than 8,000 members participate in the seven-year-old program that provides members with free special bank services, merchant discounts, group travel tours, social events and educational seminars.

Theme for the party last year was "Happiness Is Sharing." The 1,200 members and guests who attended brought gifts of canned food, toys and clothing for people in the community who needed extra help due to the higher-than-normal unemployment rate in northwestern Missouri.

Those attending the party danced to a live band, sang carols, sampled refreshments and won door prizes.

"Happiness Is Sharing" displays were set up in each bank lobby to encourage customers and Dimension 60



Before-and-after scenes at Dimension 60 Christmas party in St. Joseph, Mo. Top shows gift-collection center before party; bottom shows collection center at end of party! Party was sponsored by First Banks.

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members to bring in gifts during the weeks before the party. Gifts collected at banks outside the St. Joseph area were distributed through local agencies. Gifts collected in St. Joseph were distributed through United Way agencies.

Banks Report Variety Of Holiday 'Specials' For Christmas Time

Almost without exception, banks observe the Christmas season with some special event. Following is a potpourri of what some banks did during the 1982 holiday season:

• Merchants National, Topeka, held its third annual holiday celebration with lunch-time entertainment provided by area choral groups. One group performed on each of the nine business days prior to Christmas. Music was varied and included performers from the Topeka Opera Society Concert Association, the Highland Park Scots, the Topeka High Madrigals and the Seaman Seamanaires!

School children provided choral concerts for seven days at Cincinnati's Central Trust last year during the noon hour. In addition, the bank provided harp music before and after each vocal concert. A flute-harp duet also was

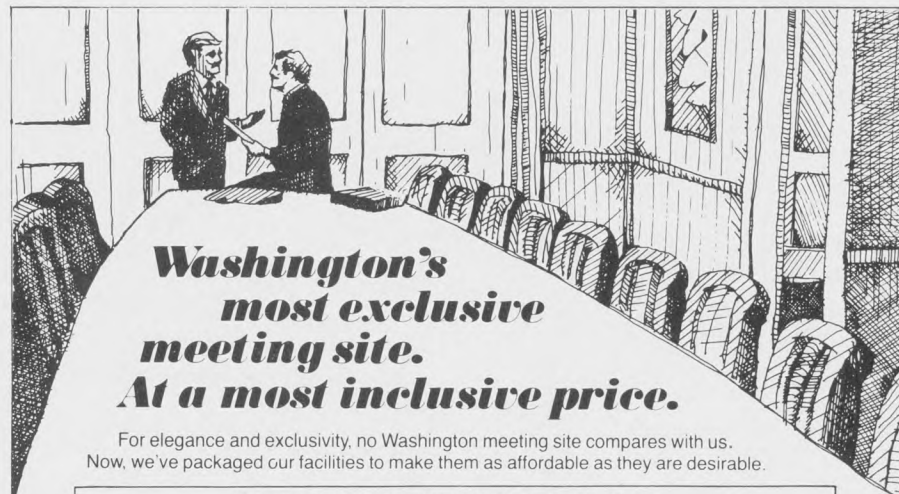
performed.

• First Bank, Ashland, Ky., hosted a Christmas party for its senior-citizen customers as part of the bank's "Top of the Trust Club" program. The club is an exclusive program for deposit customers 62 years or older and holds four functions annually and provides a variety of bank services to members. About 400 seniors attended the party, which offered entertainment by a chorus of 18 bank employees and refreshments.

• Texas American Bank, Houston, supports an activity each year in which about 100 retarded children create Christmas ornaments, which they hang on the bank's tree during a special Christmas party. The party also included entertainment by a local magician, a visit from Santa and a holiday luncheon.

• First National, Fort Worth, encouraged its employees to serve as "elves" last year to help decorate the bank. Three Christmas trees were decorated for the main bank and one for the mini-bank. Tellers passed out candy canes to children and wassail and nutbread were served in the lobby for a week prior to Christmas at both the main and mini banks. Harp music was provided during the noon hour and a special visit was made by the Texas Boys Choir.

• Fourth National, Wichita, mounted a Holiday Magic seasonal display in its nine-story, glass-enclosed courtyard for the second year last December. The display is more than 30 feet high and contains about 20 animations. The first year it was displayed, more than 150,000 people saw it. The bank's purpose in mounting the display is to reestablish in people's minds that coming downtown to see holiday decorations is a part of enjoying the season, said Mike Keller, advertising/communications officer for the bank. Caroling programs were held in front of the display.



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Thirty-foot-high 'Holiday Magic' Christmas display was featured for second year at Fourth Nat'l, Wichita, last year. Walk-through exhibit features silver castle and numerous animated characters.

Innovative Marketing Pays Off When Promoting Christmas Clubs

INNOVATIVE ways of promoting Christmas clubs pay off for financial institutions, according to bankers who have put their ingenuity to work and reaped results.

For instance, Mercantile Trust, St. Louis, saw its club totals rise after it offered employees automatic transfers from checking accounts to club accounts, by compounding the interest rate on a daily basis and by including a signature card for the next year's club in all bank statements and letters to previous year's depositors. In addition, the bank deleted its \$15 club and added a new \$40 club.

Mercantile Trust capitalizes on the fact that many club savers use their clubs to save for taxes and other expenses. Customers also appreciate the low initial deposit requirement to open a club and thus some prefer a club to a regular savings instrument.

Guaranty Bank, Lafayette, La., has done the following to make its Christmas clubs grow: It provides an incentive by making the final payment, provided the customer completes 48 payments; starts its promotion earlier than its competitors; and encourages tellers to push the clubs during signup periods. The bank also permits automatic transfers of funds into club

accounts and encourages customers to make additional deposits of any amount to their clubs.

Merchants & Farmers Bank, Meridian, Miss., featured a contest for tellers last year to see which teller could "sell" the most Christmas club accounts (in dollars). Winners received monetary awards.

The bank also used premiums to encourage signups. Although the bank experienced only a 5% increase in the number of clubs during the last signup period, it expects to experience more than an 11% increase in deposits in those clubs.

A special effort was made to sell club accounts to non-customers. The purpose was to get those people to come regularly to the bank to make their club payments so they could be cross-sold by employees.

First National of St. Bernard Parish, Arabi, La., set aside extra funds to promote its Christmas club last year. Gifts were used both as giveaways and as premiums.

The bank also used outdoor advertising to promote its Christmas club for the first time, and tellers were encouraged to sell club accounts.

All this resulted in a 20% increase in number of accounts opened.

Crocker Bank, San Francisco, expects to gain more than a 50% increase in 1983 Christmas club deposits, following an aggressive promotion that featured a Currier and Ives pie baker and a satin ornament.

These premiums were given to customers opening or renewing club accounts. Those who opened a club with deposits of \$40 or \$50 biweekly received a pie baker. The pie baker also was available to customers who used the bank's automatic transfer plan of \$25 or more per month for their clubs.

More than 45,000 ornaments and 23,000 pie bakers were distributed throughout California during the bank's six-week campaign and the number of club customers increased by more than 9,000. The bank expects to make a payout exceeding \$23 million this year.

Reliance Federal Savings, Garden City, N. Y., increased its Christmas club account openings from 8,984 in 1981 to 11,312 in 1982 by offering Norman Rockwell porcelain mug pre-

Cubs Take Part in Parade



Christmas Cubs were used to help promote a Toys-for-Tots campaign in Syracuse, N. Y., last year. In conjunction with its yearly Christmas club campaign, Lincoln First Bank donated 15 giant Cubs supplied by Christmas Club a Corp. to take part in a Christmas parade. The cubs were placed in troop carriers and on tanks appearing in the parade in cooperation with the local Marine Corps Reserve Company that sponsors the Toys-for-Tots promotion. The cubs eventually ended up in children's wards at local hospitals. Smaller versions of the cub were used as premiums at the bank, which saw a 3,000 increase in club signups last year.

miums.

The attractive premium was given the credit for the increase in signups. With an initial deposit of \$10, customers could choose one mug from a set of four. Additional mugs could be purchased.

The premiums were so popular that the supply of 12,000 was exhausted long before the holiday season arrived.

On the Cover

A plush fawn named Holly Berry will be appearing at banks this holiday season, courtesy of institutions sponsoring Christmas clubs provided by Christmas Club a Corp. Eight-inch-high versions of the toy will be offered as premiums by participating banks.

Holly Berry is the main character in a new book titled "The Adventures of Holly Berry and How He Got His Name." The full color, hard-bound children's book features a story set in the Pocono Mountains of Pennsylvania. The book relates Holly Berry's escapades, including a chance meeting with Santa Claus. Savio, a New York artist whose illustrations have appeared in popular magazines, produced 14 water colors for the book.

MID-CONTINENT BANKER's cover photo shows a four-foot-tall version of Holly Berry with an admirer. One giant fawn is available to any financial institution purchasing 360 small fawns, according to Christmas Club a Corp.

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Indiana Nat'l Bell Ringers Put Salvation Army Over Top For 1982 Collection Drive

Each year, officers at Indiana National, Indianapolis, have "rung the bell" during December for the Salvation Army, but last year, they overdid themselves!

The bell ringers brought in a record \$11,653, representing a monumental increase over the 1981 total of \$232. The money collected by the bank's officers helped the Salvation Army exceed its goal of \$550,000 by almost \$50,000.

Bank President Andrew J. Paine Jr., who also chaired the Salvation Army Christmas campaign, explained the increase: "I was convinced that something could be done to increase the bank's total from the previous year. The Salvation Army provides so many necessary services to people who are in need. The solution was to organize the officers who volunteered to ring the bell into teams. A little friendly competition helps."

Four teams were formed and each team had four different days during December to staff the well-known Salvation Army red kettle. Members of the team collecting the largest final total would receive a bison sweater (the bison is the bank's logo animal). With those simple ground rules, each team was off and "ringing."

One team captain promised to deliver hot coffee to each member half-way through each shift. Another team captain elected to move the red kettle inside the bank on a rainy day. He also took advantage of the fact that many people eat their lunches inside when the weather is inclement, so the kettle was moved close to the lunch area and team members sang carols to "lunchers."

Other enterprising employees organized a department auction. Personnel were encouraged to donate items that could be auctioned with the proceeds going to the red kettle. Result: more than \$500 in donations.

On the last day of the campaign, the team on duty gathered around the red kettle outside to sing carols. A woman approached the kettle and began depositing \$100 bills into it. When the deposits were totaled later in the day, it was discovered that \$5,000 in \$100 bills had been donated by the woman. Needless to write, the team on duty that day won the sweater.

"The real winners are the happy children and adults the Salvation Army served during the Christmas season," said Mr. Paine. "Everyone did an outstanding job for a very worthy cause."

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day's changing environment.

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Bank's Twin-Theme Holiday Show Features 'Surprise' Boxes, Doll Contest

THE HOLIDAY presentation at Citizens North Shore Bank, Milwaukee, had two themes last year.

The first was titled "The 24 days of Christmas and Hanukkah." It was celebrated with 24 boxes of many shapes and sizes being placed in various parts of the bank. Each day, beginning on December 1, there was a "grand opening" of one of the boxes, each of which contained a display of Yuletide or Hanukkah activity.

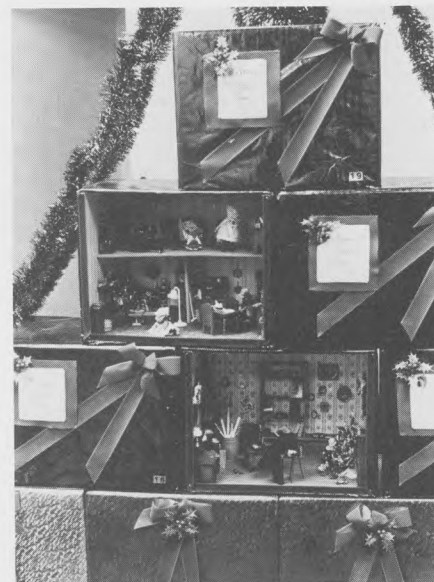
Some of the larger boxes contained scenes showing Santa checking his list, a "deer-washing" station, Santa's mail room, a candy factory and a tailor shop.

One large wall display showed a group of animals practicing Christmas carols. Another showed elves building a doll house.

A box opened on the first day of Hanukkah contained a traditional menorah. On another day of Hanukkah, a surprise box displayed games played by Jewish children during the holidays.

A group of boxes contained miniature-room displays, including an an-

tique grocery store, an antique photo studio, a bakery, a "mouse house," an elves' carpenter shop and carolers in



Miniature rooms were revealed when some "surprise" boxes were opened at Citizens North Shore Bank, Milwaukee, during holiday celebration.



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front of a house.

For its second theme, the bank held its fifth annual Christmas doll contest. Residents of the community dressed 100 18-inch-tall dolls and entered them in the contest. Professional judges awarded cash prizes in six categories. The dolls were displayed for two weeks in the bank lobby and the public was asked to vote for a grand champion. In mid-December the dolls were packed up and distributed to eight charitable agencies for distribution to girls in needy families. ●●

Varied Holiday Program Put on at Preston State

Preston State, Dallas, celebrates the holidays by decorating its lobby with a 13-foot Christmas tree, large wreaths and poinsettias, according to Linda Barton, communications officer.

The bank's exterior is decorated with lights in the form of a Christmas tree and the facade is illuminated by red floodlights.

Carolers from area elementary schools usually sing in the lobby during Christmas week. Each student is given a silver dollar as a memento.

The bank is a sponsor of the Salvation Army toy drive. The drive is publicized through news releases, employee publications and bulletin boards and contributed toys are displayed around the lobby Christmas tree. The bank also makes a holiday donation to a nearby industrial school.

It's traditional for the bank to present each employee with a small gift, and a refreshment table is placed in the lobby during the entire week of Christmas.

Paul Volcker Reappointed

WASHINGTON, D. C. — President Ronald Reagan last month reappointed Paul A. Volcker Fed chairman, ending months of speculation on whether he would keep the job or a new person would be named to succeed him. Mr. Volcker's current term would have ended in August.

Mr. Volcker was named Fed chairman by President Jimmy Carter in 1979 to succeed G. William Miller. Mr. Volcker entered banking in 1951 at the New York Fed and later served as under secretary for monetary affairs in the Johnson and Nixon administrations. He also was in management positions at Chase Manhattan, New York City, and was vice chairman, Federal Open Market Committee.

Christmas Clubber Profile

Christmas-club savers frequently purchase additional retail banking services such as checking accounts, savings accounts, credit cards, safe-deposit boxes and installment-loan services, according to a recent report compiled by Unidex Corp., Phoenix.

Each 1,000 Christmas-club customers represent 817 checking accounts, 120 NOW accounts, 614 regular passbook savings accounts, 162 CDs, 192 installment loans, 615 bank credit cards, 281 safe-deposit boxes and 169 home mortgages.

More than half the club customers open their accounts for more than three years. More than eight out of 10 complete their club payments for the year. Fifty-four percent said they would go to another institution, if necessary, to open a club account.

Three out of four club savers are married home owners with fewer than three children, according to the report. Most often, it is the head of household who plans and maintains the Christmas-club account for the family.

Club customers prefer making payments with coupon books or passbooks and many refuse to accept automatic transfer of funds as a method of payment. Seventy-five percent expect to receive interest on their accounts. Seventy-six percent of club savers are used strictly for holiday spending.

Account Analysis

(Continued from page 16)

be informed of the nature of all items for which it is being charged. Addition of new analysis items or one-time charges may be specified only as "other" on the statement. Any items of significance should be investigated.

Balance Requirements. Where balances maintained exceed balances required on the analysis statement, the respondent banker should consider other services being received to ensure appropriate benefits are derived from this non-interest-bearing asset. Balances over or short of those required should be tracked from month to month so the profitability of the relationship can be tracked over a longer time frame than one month. The authors suggest a 12-month moving average be maintained.

The foregoing recommendations can be difficult to implement, but are considered worthwhile. The authors' experience indicates correspondent-bank personnel can help the respondent deal with these issues. ●●

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Home Financing

(Continued from page 18)

the program.

Commenting about the Union Planters staff, Mr. Walker says, "Anytime I have called UPMC to get something done or to receive an update on the status of a particular application, their people have been very helpful. I get immediate response. They never say they'll call back or put you on hold."

Of the 100 institutions signed up for the program, 12 have chosen "plan two." Citizens Bank, Paducah, Ky., is one of those banks. Citizens takes loans all the way from application to closing. (Conventional loans are approved by UPMC prior to closing.) UPMC purchases the loans from Citizens, paying the bank 1% of the loan amount. Again, UPMC services the loans and usually sells them in the secondary market.

Under both "plan one" and "plan two," correspondents quote UPMC's rates and products.

UPMC's mortgage-banking program was introduced about 18 months

ago. Institutions in Tennessee, Mississippi, Arkansas and Kentucky are participating. These institutions range in size from \$10 million to more than \$500 million.

Due to the unexpected success of the program, it is taking longer than the 30 days UPMC originally promised to process the loans. In addition, increased loan volume due to decreasing rates has been a contributing factor in slowing down processing of FHA and VA loans. According to Barbara Schwerin, vice president/administrator of the program, UPMC currently is hiring additional staff to speed up its end of the processing function and expects to be able to meet the 30-day time frame on a regular basis soon. ●●

Banking Scene

(Continued from page 6)

water but you cannot make him drink.

If you could identify fewer than half the terms in my list, it indicates that your bank probably has not been caught up in the technological revolution of management-information systems and data retrieval. Many community bankers can be successful with-

out these sophisticated systems. However, organizations that have at their fingertips the ability to retrieve and analyze data — not only on banks but on companies and industries — undoubtedly will be in a better-informed position.

The real dilemma is that little analysis has been or is being done about the cost benefits of having access to such data banks. In my judgment, benefits for typical community banks probably have not yet been sufficient to justify cost; but in the future that ratio no doubt will change.

Someone in your bank should be assigned the responsibility of staying current and conversant, not only with data banks, but with their potential benefit to the bank. ●●

Bank Foregoes Decorations

There were no holiday decorations at Bank of St. Louis last December. Instead, there were lobby signs that informed customers that funds earmarked for decorations had been donated to area children's hospitals.

"We think that the true spirit of the season is in giving and in sharing with those in need," said Kenneth Poslosky, bank president.

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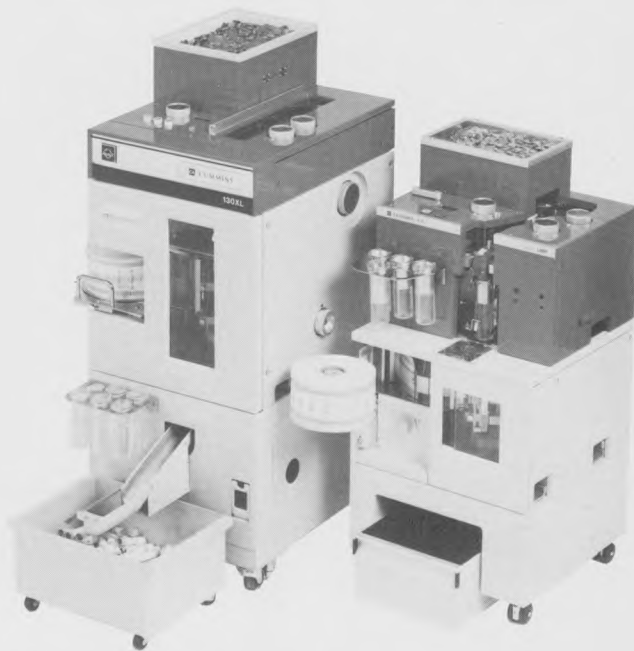
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Indiana Bankers Fare Well in Legislature; Ironing Out Bank Structure Issue Fizzles

INDIANA bankers took a page out of the book of procedures of the ABA over the past year in order to attempt to attain a consensus on troubling issues.

So reported outgoing IBA President Joseph W. Bibler, chairman/CEO, Northern Indiana Bank, Valparaiso, at last month's annual convention of the Indiana Bankers Association, held in French Lick.

In his comprehensive president's message, Mr. Bibler told how the IBA administration revamped its series of regional meetings to not only learn what was on the minds of the state's bankers, but to get their views on the position the IBA should take on the issue of bank structure.

Theme of the regional meetings was "You Tell Us." And Indiana bankers told the IBA that its position should be that the association was neither opposed to, nor supportive of, any changes in banking structure in the state.

"An earnest attempt was undertaken to provide a forum for the presentation of both viewpoints under sponsorship of the IBA," Mr. Bibler said, which had been strongly suggested at the regionals. But attempts to get leaders of the rival factions — the League for Economic Development and the Independent Bankers Association — to sit down and discuss their differences came to nought.

And the state legislature was in no mood to grapple with the topic either, he said. "Economics, the budget and taxes weighed more heavily on (legislators') minds. The multi-bank holding company bill that passed the Senate

finance committee never got to the floor for a vote."

He declared that Indiana is not known as an innovative state, which, he added, is not an indictment. In fact, he continued, it could be a virtue.

"This doesn't mean that we are not populated by people who become frustrated with the unhurried pace with which we attack both problems and opportunities. We are a blend of people who will not be rushed to do something (like change bank structure) that is not proved or that would abruptly overturn the status quo. We don't make sharp moves. Our glacial speed has shaped our character."

He added that the political process is, with all its faults, a "truly marvelous apparatus to behold. I believe that the legislative process will decide the proper timing for bank structure change."

In Mr. Bibler's opinion, the IBA should confine its efforts to continuing its prime purposes of education, communications, research and legislation, without subverting its time and energies to any stand on structure apart from neutrality.

He reported that the IBA legislative program was successful, and cited examples of this success, including clearing up many provisions of the Uniform Consumer Credit Code.

Although the IBA advocated amending the UCCC to permit for late-payment charges, prepayment charges and optional loan-origination charges, the legislature allowed only for late-payment charges on simple-interest consumer loans.

The IBA supported the Troubled-

Bank Bill and the Technical-Amendments Bill, which, among other things, facilitated the establishment of ATMs and eliminated the need for a phantom bank in forming a one-bank HC. He said that "translates into big savings in fees and legal expenses."

Mr. Bibler reported that the IBA also was deeply involved with the Crop Lien Law and that considerable compromising on both sides of the issue left the lending community with a workable resolution of the problem, especially when compared to some of the "wild plans" promoted at different times throughout deliberation.

The IBA was successful on three other fronts: (1) Passing a bill to exempt from state taxes foreign transactions executed by international banking facilities located in Indiana, (2) allowing banks to offer growing equity mortgages in Indiana and (3) equalizing lending limits between state and federal laws.

Annual elections of officers saw William H. King, chairman/CEO, Second National, Richmond, installed as new IBA president. Elected vice president was Robert W. Hill, president, National Bank, Greenwood. New treasurer is Charles E. Stanley, president, Farmers National, Remington.

Elected to one-year terms as members-at-large of the IBA board were Jon S. Armstrong, chairman, Midwest Commerce Banking Co., Elkhart; Ronald C. Seals, president, Edinburg State; and David Sursa, chairman, Industrial Trust & Savings, Muncie.

Mr. King began his banking career in 1958 at Terre Haute First National. He joined his present bank in 1965 in the trust department, was elected executive vice president in 1972 and president in 1974. He became chairman/CEO last year.

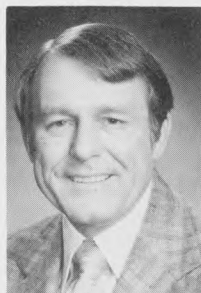
Mr. Hill became a banker in 1948 when he joined Rockville National. He moved to his present bank 10 years later, was elected cashier in 1959, vice president in 1964, executive vice president in 1966 and president in 1977.

Mr. Stanley joined his bank in 1963, following service at Albion National. He was elected executive vice president in 1967 and president in 1977. ●●

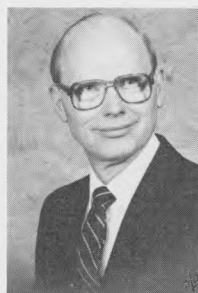
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Banking to Be 'Bullish' in '83-'84, Illinois Conventioneers Are Told

"BULLISH for banking in '83 and '84." Those were the terms used by economist Dr. Roy E. Moor as he spoke at the Illinois Bankers Association annual convention last month in Chicago.

Although Dr. Moor referred primarily to Illinois banking throughout his speech, his remarks applied generally to banking around the nation. Certain areas, he said, might not have the same expectations.

Dr. Moor, chief economist for Chicago's First National, predicted an upturn in bank earnings in 1983-84 of 10% to 15%. Bankers also could expect inflation rates to remain low during the same period and interest rates to move up or down (from their present level) in a narrow range.

Savings, said the Chicago economist, are up substantially (to a level of 6½% of income), and a good bit of this is in the lower-cost passbook account. Also, he said, banks are attracting *new* customers at an increased rate of 5½% and predicted this would climb to 7% in 1984 (which, he said, would be above the national average).

As a result of increased savings, household "balance sheets" are much improved over 1980. Borrowers, he said, thus would be in "much better shape" when they go to their banker for various types of loans. Installment-credit rates, he said, should be



Speakers Dr. Roy E. Moor (c.), chief economist, First Nat'l, Chicago, and Gerald M. Lowrie (r.), exec. dir., ABA government relations, are shown with IBA Pres. Donald R. Lovett.

"steady," and he could not foresee these rates rising more rapidly than the prime rate.

Dr. Moor expected steady gains in employment and rising purchases of new homes. New-home starts in 1982 (in Illinois), he said, were 16,000. He anticipates home starts of 27,000 in 1983 and 30,000 in 1984.

Mortgage rates should remain steady throughout 1984, according to Dr. Moor, but he was not overly optimistic about the public's acceptance of variable-rate mortgages.

Although he still could see business failures occurring in 1983 and 1984, he could not point to any specific type of

business more likely to fail than another. The "survivors," he said, will have improved their balance sheets and "leaned" their operations.

Dr. Moor was particularly bullish on retailing types of business as well as defense manufacturing. But he saw little to be excited about in general construction (except housing) and agricultural equipment.

Dr. Moor did have some advice for his banker audience. Cost management, he said, should be banking's next goal. Manage costs of all types, particularly labor costs, through increased employee productivity.

Was Dr. Moor concerned with the nation's anticipated huge deficits? Yes, but he felt they would be manageable because of the nation's increased rate of savings, plus huge investments that would come from overseas. The dollar is in good shape, he said, and overseas investors will contribute substantially to the financing of the nation's deficit. These investors, he concluded, often are overlooked.

Illinois bankers were holding their first "combined" convention since AMBI (Association for Modern Banking in Illinois) split away from the association in 1973. The two groups (IBA and AMBI) were successfully merged at the beginning of 1983. Their basic difference over holding companies and branching disappeared in 1982, when the Illinois legislature approved limited branching and/or multi-bank holding companies in five separate regions of the state.

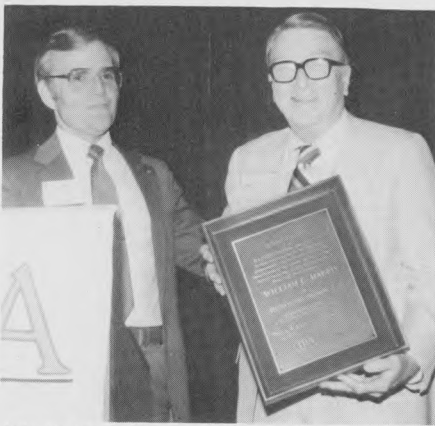
Officers of the association now serve on a calendar-year basis and for the foreseeable future will be elected by ballot in November of each year and serve in the following calendar year. Current officers are pictured with this article. Their terms will expire at the close of 1983.

IBA officials do anticipate, however, that traditional elections (at convention time) will be reinstated at some point in the near future.

As Illinois bankers met, they were faced with local newspaper stories about the impending sale of First Federal Savings & Loan, the city's second-largest S&L (\$4.2 billion). It has been in the hands of the FSLIC since April, 1982. IBA leaders were



CURRENT IBA OFFICERS: pres., Donald R. Lovett, ch./pres., Dixon Nat'l; v.p., James A. Forster, ch., DeKalb Bank; sec., T. R. McDowell, pres., First Nat'l, Westville, and treas., C. C. Wilson, ch., First Nat'l of Quad Cities, Rock Island.



Illinois Bank Commissioner William C. Harris (r.) receives a plaque from IBA Pres. Donald R. Lovett for his efforts in helping to reunite IBA and Association for Modern Banking in Illinois (AMBI). Mr. Harris was named No. 1 honorary member of IBA.

concerned over the possible sale of First Federal to Sears Roebuck, Citicorp or any other out-of-state organization. Accordingly, they quickly sent off letters to their Illinois delegation in Congress, urging support of the principle that if and when sold, First Federal would remain in "local" hands.

First National of Chicago indicated it "had an interest" in making a bid, but it was not known whether First National has submitted a bid to the Federal Home Loan Bank Board and the FSLIC.

Citicorp reportedly submitted a bid through its subsidiary, Citicorp Savings, and Allstate Savings & Loan (a Sears subsidiary) reportedly submitted a bid.

A takeover of First Federal by First National might raise some antitrust objections, but under the Garn-St Germain Act, a sale of this type requires that a "like" financial organization in the same state be sought to take over a distressed institution.

"We are very much concerned about the board turning over First Federal to subsidiaries of either Citicorp or Sears," said William J. Hocter, IBA executive vice president. "We'd like to see an extension of time to allow current management to get the association back on its feet or to keep it under Chicago ownership."

A decision on ownership of First Federal probably will not be made until early August.

As they met, Illinois bankers also were perplexed about the status of withholding on interest (and dividends). What should they do, they asked one another? ABA representative Gerald M. Lowrie expressed his opinion following the speech by Dr. Moor.

Mr. Lowrie, executive director of

the ABA's government relations group, fully expects the withholding act to be repealed by July 1. Congress, he explained, is up to its old tricks in carrying an issue "to the brink." The IRS is asking for some new penalties to be assessed against those who do not pay taxes on interest or dividends. Also, he said, some "other" measures could be tacked onto the repeal. But he saw no problem on final repeal of the bill. Banker mobilization of the public (some 22 million letters) had done the trick, he said.

Congress also would be considering, he said, a bankruptcy-reform bill, but he could not say whether final action would be taken in 1983.

He was concerned over the new "disclosure" law that would make public bank loans that were 90 days overdue. Potential misuse by the media could, he said, have a disastrous effect on the public.

The real problem in Congress in the future, he said, will be to decide "What is a bank," and also determine the issue of interstate banking. Whether to allow banks to get into insurance, real estate, etc., probably would not be considered in 1983. At the same time, Congress would have to decide whether "near banks" should get into banking activities. The ABA, he said, would take its position on these subjects at its July, 1983, "consensus" meeting.

Congress, he said, will not have to decide the matter of interstate banking. When bankers agree on a program, Congress *might* consider it, he said. The chances are, however, that "reciprocity actions" taken by certain states — as well as de facto mergers and acquisitions — will have decided the issue long before Congress can act.

ABA President-Elect Designate James Cairns agreed that present trends of acquisitions and mergers would set the tone for future legislation. He predicted that Sears, for example, will have in place some 600 so-called full-service banking units by 1986, unless the role of a bank or "near bank" is defined.

The Washington state banker (president, Peoples National, Seattle) also commented on recent actions by Congress to increase the nation's contribution to the IMF (International Monetary Fund). He agreed with the importance of this action. The IMF is necessary, he said, in handling import-export transactions. Some 10% of all U. S. jobs, he said, currently rely on exports, and almost 25% of agricultural jobs depend on export sales. This is especially important to Illinois, one of



Speakers James Cairns (l.), ABA pres.-elect designate and pres., Peoples Nat'l, Seattle, and Sander Vanocur (c.), chief diplomatic correspondent, ABC News, are pictured with IBA Pres. Donald R. Lovett.

the nation's leading agricultural states.

Economist Dr. Barry Asmus (Boise State University in Idaho) startled and pleased his audience with "put downs" of political myths. Private ownership of capital has been and will continue to be the key to America's wealth, he said. He advocates a reduction in the marginal rate of taxation, as well as a return to the "old school of thought" on economics. New students and new teachers are flooding the universities, he said, and these new "converts" will turn the nation away from the old philosophy of "something for nothing." Let's teach our children to work, he said, read books and pass them along to others. The choice, he said, is freedom or serfdom. — Ralph Cox, Publisher.

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Index to Advertisers

AgriCareers, Inc.	46
American Bank Directory	38
American Fletcher National Bank, Indianapolis	5
Arrow Business Services, Inc.	S/3
Bank Administration Institute	3
Bank Board Letter	36
Bank Building Corp.	47
Bank Marketing Association	43
Bank of America, San Francisco	15
Bavis & Associates, Inc.	33
Boatmen's National Bank, St. Louis	48
Bronner's Christmas Decorations	30
Center Bank, St. Louis	25
Central Bank of the South, Birmingham	21
Christmas Club a Corp.	S/4, 26, 38
Cole-Taylor Financial Group	28-29
Commerce Bank, Kansas City	13
Commercial Credit Business Loans, Inc.	11
Commercial National Bank, Kansas City, Kan.	23
Computer Based Solutions, Inc.	36
Continental Bank, Chicago	27
Cummins-Allison Corp.	41
E.F.T. Executives' Directory	40
Financial Insurance Services, Inc.	7
Financial Placements	46
First Alabama Bank, Montgomery	S/14
First National Bank, Kansas City	S/7
First National Bank, St. Joseph, Mo.	26
First National Bank of Commerce, New Orleans	S/9
First Oklahoma Bancorp, Oklahoma City	29
First Total Systems, Inc.	2
First Wisconsin National Bank, Milwaukee	24-25
Florida Software Services	S/1, 23
Fourth National Bank & Trust Co., Wichita	S/11
Franklinton Financial Services	19
Frost Bank, San Antonio	S/13
Hagan & Associates, Tom	46
Industrial Life Insurance Co.	40
Integon Life Insurance Corp.	39
Laacke & Joys	30
Liberty National Bank & Trust Co., Oklahoma City	2
Loews L'Enfant Plaza Hotel	34
Madison Financial Services	35
McNerney & Associates, Inc.	16
Mercantile Bancorp, St. Louis	S/15
Midland Bank & Trust Co., Memphis	S/16
Missouri Encom, Inc.	22
Monarch Graphics	45
National Boulevard Bank, Chicago	21
USLIFE Corp.	37
Visa U.S.A.	17
Whitney National Bank, New Orleans	19
Wilson Premium Corp.	34

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