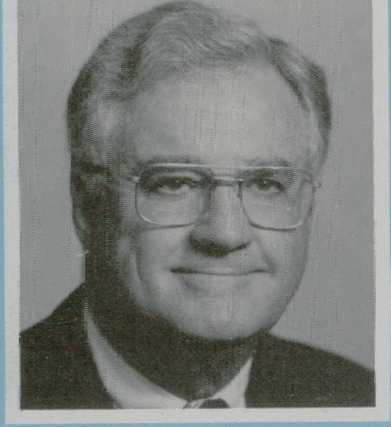
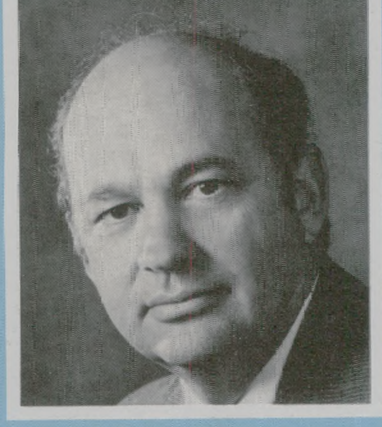
MID-CONTINENT BANKER

(ISSN 0026-296X)
INCORPORATING MID-WESTERN BANKER
SEPTEMBER, 1983
NORTHERN EDITION



William H. Kennedy Jr.
ABA President



C. Robert Brenton
ABA President-Elect

Key to Community-Bank Survival
See page 40

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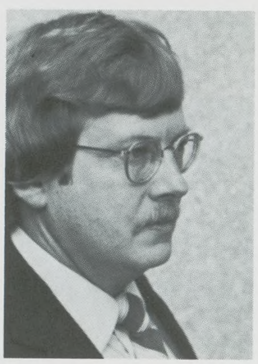

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Convention Calendar

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. 21-22: Equipment-Lease Seminar, Atlanta, Peachtree Plaza.
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. 23-28: 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.
Nov. 13-16: Bank Administration Institute Money Transfer Developments Conference, Boston, Westin Hotel.
Nov. 13-16: Bank Marketing Association Corporate Business Development Training Workshop, Orlando, Fla., Orlando Marriott Inn.
Nov. 13-17: Bank Marketing Association Trust Marketing Conference, Dallas, Fairmont Hotel.
Nov. 27-Dec. 2: ABA National Commercial Lending Graduate School, Norman, Okla., University of Oklahoma.
Dec. 5-9: Bank Marketing Association Southeastern Essentials of Bank Marketing School, Athens, Ga., University of Georgia.
Dec. 11-14: Bank Administration Institute ATM/6-National Conference, Atlanta, Hilton Hotel.
Jan. 15-18: Bank Administration Institute PATH Conference on Productivity, New Orleans, Sheraton Hotel.
Jan. 20-21: Equipment-Lease Seminar, New Orleans, Marriott Hotel.
Jan. 31-Feb. 3: ABA Insurance & Protection National Conference, San Francisco, Hyatt Regency Hotel.

• A guide and supplement for evaluating the effectiveness of savings institutions' internal controls have been published by Ernst & Whinney, international accounting firm. *Evaluating Internal Control — Savings Institutions: A Guide for Management and Directors* and *Evaluating Internal Control — Savings Institutions: Documentation Supplement* provide questionnaires, work papers, flow-charting instructions and forms for documentation and evaluation. They can be obtained from any Ernst & Whinney office.

MID-CONTINENT BANKER

(Incorporating MID-WESTERN BANKER)

Volume 79, No. 9 September, 1983

IN THIS ISSUE

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Lawrence W. Colbert, Vice President, Advertising
Rosemary McKelvey, Editor **Jim Fabian,** Senior Editor
John L. Cleveland, Assistant to the Publisher

MID-CONTINENT BANKER Editorial/Advertising Offices

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

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The disadvantages of dealing with money markets,

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

The Rapid Growth of ATM Networks

AUTOMATIC teller machines (ATMs), introduced by New England banks in 1969, had increased in number to 29,000 by the end of last year. A third were less than a year old.

Those 29,000 ATMs in operation represent an average of two per U. S. bank, but, of course, ATM usage is concentrated at larger banks. New York's Citicorp has several hundred.

Particularly in smaller communities, ATMs installed thus far frequently have not had on-line capabilities, but there has been an exponential growth in ATM networking within the last year or so. Today, there are at least 150 regional ATM networks — some with hundreds of machines tied into their systems — and seven national networks are expected to be operational by the end of 1983.

Commercial banks typically have had substantial limits on the number and location of their ATMs, while thrifts have not been so limited.

Outdated legislation admittedly has limited the growth of ATM networks in some parts of the nation, but the situation is changing rapidly. Nor are financial institutions the only agents of change. Retailers and travel-and-entertainment companies have been quite active in promoting ATM growth.

The change in consumer attitudes toward credit and debit cards and ATMs has been dramatic. Most early marketing studies regarding credit cards were pessimistic that consumers would ever adapt to conducting business via plastic cards. One study of a group of consumers who were sent unsolicited credit cards showed that a sizable percentage did not intend to use them. A follow-up study a few months later, however, showed that many who had initially said they would not use the cards had done so.

Similarly, ATM acceptance has been surprisingly rapid. As late as 1976, only 6.6% of the respondents in one survey said they had ever used an ATM. That percentage had shifted to 33% by the time a similar survey was conducted last November. Moreover, the demographic profile of the typical ATM user indicates that he/she tends to be younger, better educated and more affluent than the non-user.

The legislative outlook regarding ATMs still is clouded, however. American Express has been allowed to install ATMs in major airports and other high-traffic areas around the nation. The savings and loan industry has not been handicapped by restrictive legislation and theoretically thrifts could place ATMs anywhere. Commercial banks, on the other hand, typically have had substantial limitations on the number and locations of the ATMs they operate.

A paradox exists. Although S&Ls have had more flexibility in installing ATMs, they have not used their advantage effectively. This probably is due to the extremely poor earnings picture S&Ls have faced until recently and their need to focus on retrenchment rather than expansion. With the decline in interest rates and substantial cash inflows to super NOW accounts, many S&Ls are reconsidering their attitudes toward ATMs.

Whereas S&Ls want the ATM systems they join to be capable of handling all of the different types of transactions an ATM network can potentially handle, some state banking associations have said they would not support permitting deposit and loan payments through ATMs. There probably are rational political reasons for taking such a stance. In fact, the board of one major state bankers association recently took a stand on restricting converted S&Ls to operating no more than the number of offices authorized under the state banking act.

If the legislation supported by bankers were to pass, however, an S&L could still convert to a federal thrift charter — as permitted under the Garn-St Germain legislation of 1982 — and bypass the conversion restriction.

Examining history sometimes helps to put recent developments into perspective. Recall that in the 1950s when credit cards were just being adopted, the first step was non-shared cards issued by individual banks. Later, the cards issued by individual banks were consolidated into regional systems which, in turn, joined BankAmericard — now Visa — or MasterCard. Subsequently, banks were permitted to join both national systems and many did so.

"The number of ATM transactions is expected to jump from 1.5 billion in 1981 to seven billion by 1985, according to one study."

During the interest-rate peaks of the 1970s and the accompanying cost pressures on credit-card issuers, the cost of many services which previously had been offered to consumers for free were passed along. As a result, many bank customers who had carried both Visa and MasterCard decided they could get along with just one card.

Doubts about the potential use consumers would have for a nationwide ATM network have, in a similar manner, cast doubts on the long-term potential of national networks. Opponents rightly have pointed out that much of the American population isn't extremely mobile and would have little use for an ATM system more than a short distance from home or office. An equally valid argument holds that the segment of the population that travels extensively either for business or plea-

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Reagan Signs Withholding Repeal; Backup Withholding Begins in '84

WHAT MAY BE the most vigorous grass-roots effort in U.S. history on the part of the citizenry to express its will to the federal legislature ran its course with the signing of the withholding repeal bill by President Reagan last month.

The final weeks of the effort appeared to be touch-and-go, with financial institutions poised on the brink of a precipice, not knowing whether Congress would settle its differences in time to avoid missing the August 5th deadline set by the Treasury Department for the implementation of withholding.

By wide margins of 392-18 in the House and 90-7 in the Senate, legislators stamped their final approval on the compromised version of H. R. 2973 as drafted by a House/Senate conference committee. The votes reaffirmed congressional endorsement of repeal, which earlier had passed the House by 382-41 and the Senate by 86-4.

The conference-committee agreement repeals the 1982 law and strengthens taxpayer compliance. Under the committee's final version, all payors of interest and dividends must (1) file 1099 forms with the Internal Revenue Service on machine-readable media beginning in 1985 (there is a provision for a hardship exemption); (2) mail separate standard 1099 forms to account holders and (3) have a separate mailing this year to check account holders' taxpayer-identification numbers.

The rate of backup withholding has been increased to 20% and backup withholding applies to taxpayers who underreport interest and dividend income. Once commenced, backup withholding generally continues until the end of the calendar year in which the taxpayer corrects.

Where the correction is made after October 15th, backup withholding will not terminate until the end of the calendar year following the correction.

The minimum notice period by the IRS is 120 days and at least four notices are required during that period. Payors are accorded 30 days to commence backup withholding after notice to do so is received from the IRS.

In general, the requirement that payors obtain sworn certificates from payees as to their taxpayer-identification numbers and whether they are subject to backup withholding apply only to accounts and brokerage relationships opened after December 31, 1983.

Liability equal to the amount required to be withheld will be imposed on payors who fail to backup withhold. The Treasury has been granted regulatory authority to permit payors not to withhold on interest or dividend payments that don't exceed $10 annually.

Penalties for failure to file information returns and to include correct taxpayer-identification numbers are self-assessed and the maximum dollar limitations on such penalties have been deleted. The "reasonable-cause" defense to both penalties has been replaced by a stricter "due-diligence" defense. A due-diligence defense to the penalty for failure to report a correct taxpayer-identification number is established by showing reliance on a payee's certificate, in the case of accounts opened after next December 31, or by making annual requests for a correct taxpayer-identification number in the case of accounts opened prior to next January 1.

Failure to report interest or dividend income reported by financial institutions to the IRS is presumptive of negligence. Taxpayers filing false certificates as to taxpayer-identification numbers or the applicability of backup withholding are subject to $500 fines.

Financial institutions filing 50 returns or more annually after 1984 are required to file interest and dividend information returns with the IRS on magnetic tape, but there is a hardship provision.

Information returns furnished to payees are to be mailed under separate cover and in official form, along with a notice that amounts reported are taxable and must be reported to the IRS.

Backup withholding applies to amounts paid or credited after next December 31.

sure is sufficient to guarantee the success of national ATM networks.

Regardless of which assessment ultimately proves accurate, projections on the number of ATM transactions indicate that we probably will continue to see tremendous growth in ATMs put in place over the next few years. The number of ATM transactions is expected to jump from 1.5 billion in 1981 to seven billion by 1985, according to one study. Checks still are the preferred transaction medium, according to the study, but ATM-transaction volume is growing at a much faster rate than check-transaction volume. Given the dramatic increase in home computers which can, with relative ease, access ATMs, the seven-billion-transactions estimate for 1985 may be on the low side.

From a bank's perspective, ATMs offer overwhelming advantages. A single ATM typically is priced at between $20,000 and $40,000, depending on the sophistication of the system. When one compares that cost with salary and fringes of a human teller, not to mention the around-the-clock availability of the ATM, it's easy to see why more bankers are concluding that they must get ATMs with on-line capability in place.

A banker considering such a move will not have to analyze all of the more than 150 regional networks operating before deciding on the one best suited for his bank. The search can be confined to those networks operating in the region where the bank has branches. But any search for an appropriate ATM network should be conducted in a rational and systematic manner. ● ●

Seminars on Letters of Credit Scheduled in Two Cities

Seminars on the use of commercial letters of credit and bankers acceptance will be offered this fall by the School of International Finance.

Instructors will be vice presidents of major international banks who have been involved in managing letters-of-credit departments for at least 10 years.

Chicago will be the site of two seminars: one September 20-21 at the Drake Hotel and the other November 1-2 at the Executive House. The New York Sheraton is the location of an October 11-13 seminar in New York City.

A brochure may be obtained by calling 800-631-3098.

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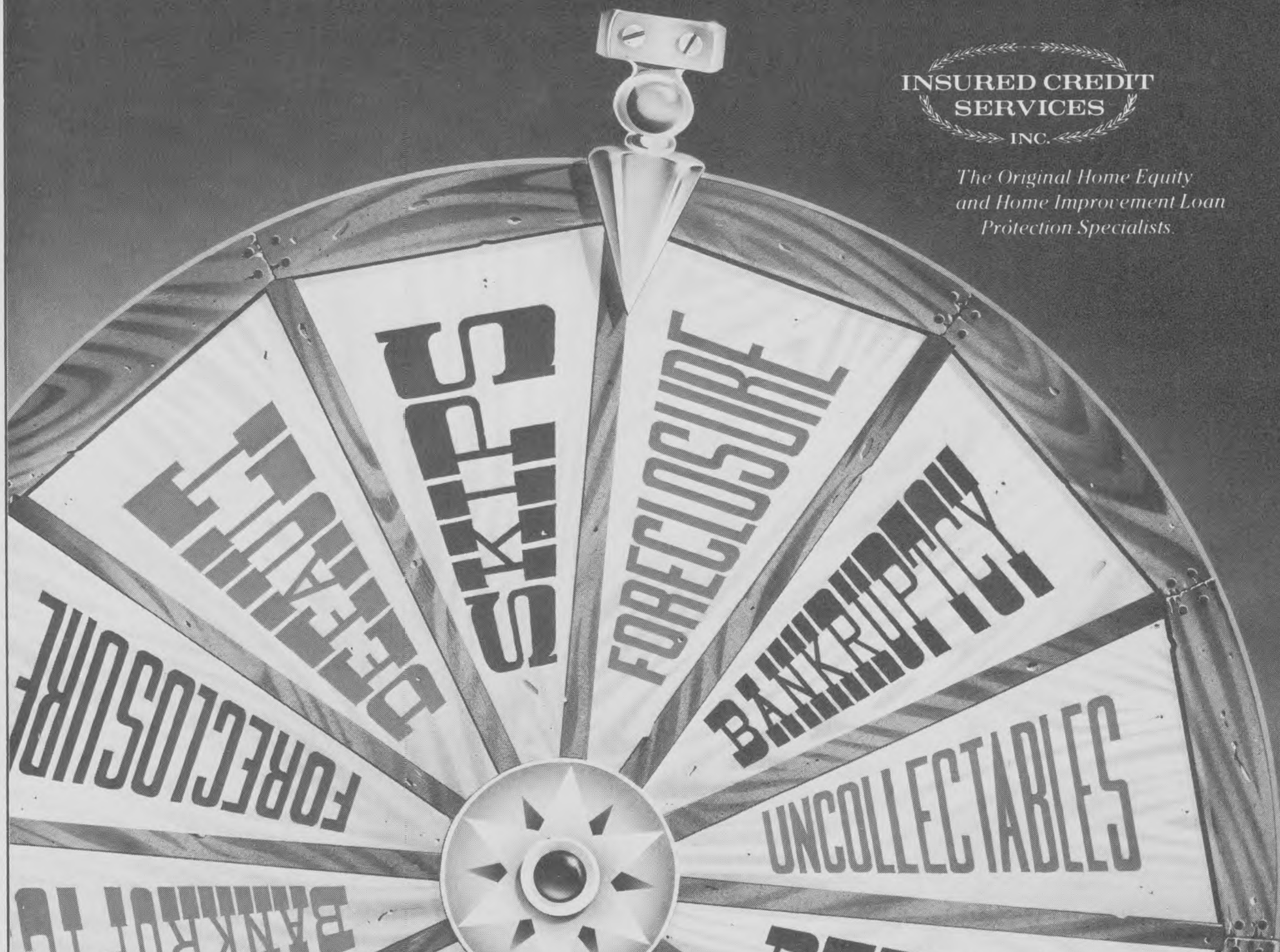


Parade of Speakers Engaged For ABA's Hawaiian Convention

Former Pres. Ford, Fed's Volcker, Citicorp's Wriston Head List

FORMER U. S. President Gerald R. Ford, Federal Reserve Board Chairman Paul Volcker, Citicorp Chairman Walter B. Wriston and Nobel Economist Milton Friedman will be featured speakers when the 1983 ABA convention convenes in Honolulu, October 8-12.

Bankers are expected to jam the meeting rooms — not the beaches — for sessions on such vital topics as pricing bank services, credit-risk management, nonperforming loan disclosure and liquidity management. "Nowhere, but at the ABA convention do bankers have such an excellent opportunity to exchange ideas and share information and experiences with their friends, business colleagues and leaders in the financial and government arenas," stated ABA President William H. Kennedy Jr., chairman/CEO, National Bank of Commerce, Pine Bluff, Ark.

The island of Oahu will live up to its nickname, "the gathering place," beginning Friday, October 7, when registration opens at the Sheraton Waikiki. Then the grand-opening ceremony, complete with Hawaiian entertainment, will be held Saturday morning at the Hilton Hawaiian Village.

This 20-acre complex also will be the site of the exhibit center for the convention. More than 80 companies will display the newest hardware, software, signs, premiums, employee uniforms, publications and other equipment and supplies that the industry needs.

Saturday morning's agenda also will include concurrent sessions on Fed pricing, credit risk and disinflation, new technology for delivering consumer services, the outlook for agricultural banking and other timely subjects. Workshops and special-interest sessions throughout the convention will be centered primarily in the Hilton Hawaiian Village, with some held at the Sheraton Waikiki.

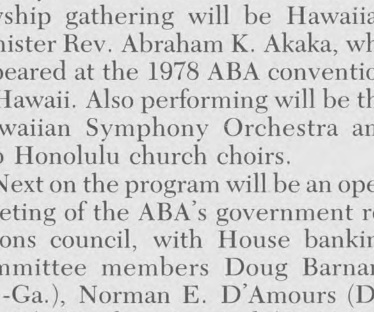
Serving as the foundation for the afternoon's program will be *Competitech*, ABA's monthly publication series analyzing techniques and technology that bankers need to know to compete in a deregulated environment. Among the *Competitech* topics to be featured are increasing personnel productivity, taking advantage of the secondary-mortgage market and controlling bankruptcy losses.

The ABA fellowship gathering on Sunday (plus Monday's and Tuesday's general sessions) will be conducted in the dome-covered Arena at the Neal Blaisdell Center, which has been called "one of the finest examples of contemporary civic architecture in the country." To be featured at the fellowship gathering will be Hawaiian minister Rev. Abraham K. Akaka, who appeared at the 1978 ABA convention in Hawaii. Also performing will be the Hawaiian Symphony Orchestra and two Honolulu church choirs.

Next on the program will be an open meeting of the ABA's government relations council, with House banking committee members Doug Barnard (D.-Ga.), Norman E. D'Amours (D.-N. H.), Stephen L. Neal (D.-N. C.) and Chalmers P. Wylie (R.-Ohio) and Senate banking committee member Alan J. Dixon (D.-Ill.). This was a heavily attended convention event last year in Atlanta.

A series of banking workshops will be held that will focus on international-banking opportunities, executive-incentive compensation, potential new lines of business and credit-card fraud.

Monday morning's general session will include addresses by U. S. Sen. Daniel K. Inouye (D.-Hawaii), ABA President William H. Kennedy Jr., Citicorp Chairman Walter B. Wriston, Federal Reserve Board Chairman Paul Volcker and Institute of International Finance Managing Director-Designate Andre de Lattre, currently a special representative of the World Bank.



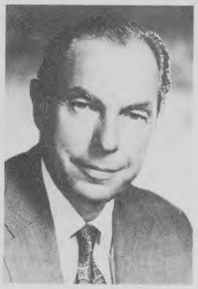
In the afternoon, Comptroller of the Currency C. Todd Conover and FDIC Chairman William M. Isaac will participate in a discussion of banking deregulation and agency reorganization.

This panel will be immediately followed by three concurrent sessions with senior officials from the FDIC, Federal Reserve Board and the Office of the Comptroller of the Currency. Agency participants will be: Office of the Comptroller of the Currency — Brian Smith, chief counsel, H. Joe Selby, senior deputy comptroller, operations, Doyle Arnold, senior deputy comptroller for policy/planning, Michael Mancusi, senior deputy comptroller/national operations, Jim Boland, deputy comptroller/industry and public affairs; FDIC — Thomas Brooks, general counsel, James Sexton, director, division of banking supervision, Stanley C. Silverberg, director, division of research and strategic planning, and Margaret L. Egginton, deputy to the chairman; Federal Reserve Board — Michael Bradfield, general counsel, John E. Ryan, director, division of bank supervision/regulation, and Griffith L. Garwood, deputy director, division of consumer/community affairs.

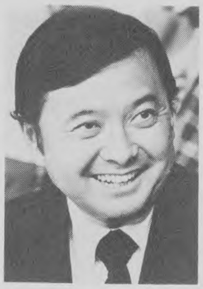
Highlights of Tuesday's general session will be the election and installation of new ABA officers and addresses by Gerald Ford, Milton Friedman and ABA Executive Vice President Willis W. Alexander.

Micro-computers, one of the most popular convention subjects last year, will be revisited on Tuesday afternoon. Attendees will learn how to evaluate and select a micro and how to use mi-

Convention Speakers at General Sessions



WRISTON



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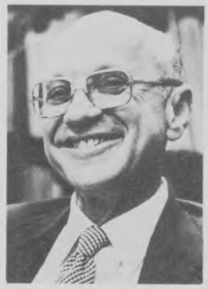

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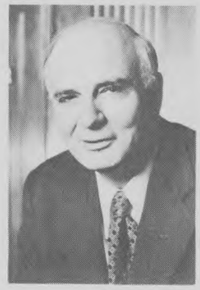

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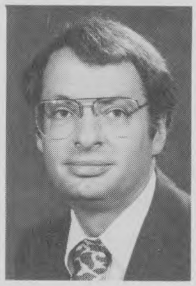
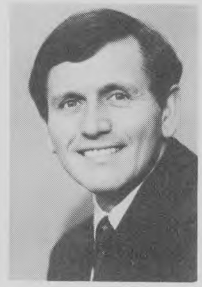


JORDAN

JONES



PARRY

cros to save time and money.

On both Monday and Tuesday mornings early-bird sessions will begin at 7:30 a.m. Subjects to be presented include variable-rate lending, strategic planning, small-business financing, utilizing bank service corporations and new-product development.

Planned for Wednesday is a panel of some of the nation's leading economists: David M. Jones, senior vice president/economist, Aubrey Lanston & Co., New York City; Jerry Jordan, former Reagan economic advisor and professor, Anderson Schools of Management, University of New Mexico, Albuquerque; and Robert T. Parry, chairman of the ABA's economic advisory committee and executive vice president/chief economist, Security Pacific National, Los Angeles. Larry F. Clyde, chairman, ABA bank investments and funds management division and executive vice president, Crocker National, San Francisco, will serve as moderator.

This year's ABA receptions — a convention tradition — will be held at the Hilton Hawaiian Village on Sunday evening and at the Sheraton Waikiki and Royal Hawaiian on Tuesday.

For spouses, a series of programs on managing stress will be presented by clinical psychologist and syndicated columnist William D. Brown.

Transportation between ABA convention hotels and all ABA functions will be via one of the most extensive, modern, air-conditioned shuttle-bus systems ever engaged for a meeting of this size. It will be complimentary.

Daily Convention Schedule

Friday, October 7

10:00 a.m. — Registration begins.

Saturday, October 8

8:30 a.m. — Grand opening ceremonies.
9:00 a.m. — Exhibits, activity center, convention central open.
10:30 a.m. — Special-interest sessions and government-relations feature sessions.
1:30 p.m. — *Competitech* sessions and special-stress series.
3:30 p.m. — Exhibits, activity center and convention central close.

Sunday, October 9

9:00 a.m. — Fellowship program; exhibits, activity center and convention central open.
10:30 a.m. — Government-relations council meeting and special-interest sessions.
1:30 p.m. — Special stress series.
3:00 p.m. — Exhibits, activity center and convention central close.
6:00 p.m. — ABA reception "Hawaiian Rainbows."

Monday, October 10

7:30 a.m. — Special-interest sessions; exhibits, activity center and convention central open.
8:25 a.m. — Pre-session entertainment.
9:00 a.m. — General session.
1:30 p.m. — Government-relations feature session and special-stress series.
2:45 p.m. — Government relations dialogue with regulators.
3:30 p.m. — Exhibits, activity center and convention central close.

Tuesday, October 11

7:30 a.m. — Special-interest sessions; exhibits, activity center and convention central open.
8:25 a.m. — Pre-session entertainment.
9:00 a.m. — General session.
1:30 p.m. — Micro-computer session; special-stress series.
2:15 p.m. — Micro-computer breakout sessions.
3:45 p.m. — Exhibit grand prizes.
4:00 p.m. — Exhibits, activity center and convention central close.
6:00 p.m. — ABA reception "Polynesian Nights."

Wednesday, October 12

8:30 a.m. — Economic outlook feature session.
10:30 a.m. — Convention closes.

"No one should be fooled by this year's idyllic setting," according to ABA President Kennedy. "This will be a no-nonsense, nuts-and-bolts convention from which attendees will benefit for years to come." ● ●

President-Elect Candidate

James G. Cairns Jr. is official candidate for ABA pres.-elect for 1983-'84. He is pres., Peoples Nat'l of Washington, Seattle. He joined that bank in 1962 and has been pres. since 1979. Mr. Cairns was selected as the ABA's official candidate last spring. His candidacy was opposed by Charles W. McCoy, ch./CEO, Louisiana Nat'l, Baton Rouge.

Special-Interest Sessions On Convention Agenda

Numerous special-interest sessions are scheduled for four of the five days of the ABA convention in Honolulu. On Saturday, October 8, and Sunday, October 9, they will start at 10:30 a.m.; on Monday and Tuesday, October 10 and 11, they will begin at 7:30 a.m.

Sessions set for Saturday will include credit risk and disinflation; agricultural-banking outlook; consumer-gap management; the technological explosion: consumer delivery alternatives; and in-home banking for the community bank.

Sunday's sessions will include challenging the nonbank competition; the great credit-card rip-off; executive-incentive compensation; international banking opportunities; and a series of new business-opportunity sessions on real-estate equity participations, discount brokerages and insurance agencies.

On Monday topics to be addressed will include risk-management; responding to the deregulated communication industry; loan disclosure and the media; new-product development; working with directors; variable-rate lending; and asset/liability management.

Tuesday's topics will include kidnap/hostage; sales force management; loan workouts; planning; bank service corporations vs. HCs; challenging competitors in the upscale market; managing the information overload; and incentive compensation for bank personnel.

Government-Relations Sessions Continuing Convention Topic

GOVERNMENT relations will be featured at four special sessions during the ABA convention in Honolulu. The sessions will be held on Saturday, Sunday and Monday (October 8, 9 and 10).

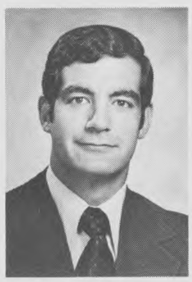
The Saturday session is titled "Banks and the Federal Reserve as Competitors in the Payments System." Among featured panelists will be Doug Barnard Jr. (D.-Ga.), member of the House banking committee, and Kenneth A. McLean, minority staff director, Senate banking committee.

An open government relations council meeting will be held on Sunday, immediately following the fellowship program.

GARN

LOWRIE

Featured speaker will be Sen. Jake Garn (R.-Utah), chairman, Senate banking committee. A discussion of legislative and regulatory issues of interest to bankers will be conducted by Mark W. Olson, chairman of the government relations council and president, Security State, Fergus Falls, Minn., and Hugh M. Chapman, vice chairman, government relations council and chairman, C&S National Bank of South Carolina, Columbia.



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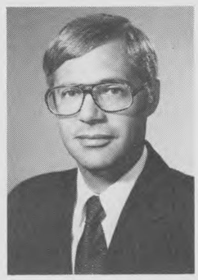


CONOVER

Gerald M. Lowrie, executive director of the government relations division, will moderate a panel of banking committee members on the topic of legislation. Panelists will include Stephen L. Neal (D.-N. C.), Chalmers P. Wylie (R.-Ohio), Doug Barnard Jr. (D.-Ga.) and Norman E. D'Amours (D.-N. H.) from the House banking committee, and Alan J. Dixon (D.-Ill.) from the Senate banking committee.

The first government-relations feature session on Monday will spotlight federal regulatory perspectives and will be introduced by ABA President William H. Kennedy Jr., chairman, National Bank of Commerce, Pine Bluff, Ark. ABA President-Elect Designate James G. Cairns Jr., will preside. He is chairman of the ABA's task force on restructuring the federal financial regulatory agencies and president, Peoples Bank of Washington, Seattle.

Featured speakers will be William M. Isaac, FDIC chairman, and C. Todd Conover, Comptroller of the Currency. The session will include dialogues with panels of representatives of the Fed, the FDIC and the Comptroller's office.

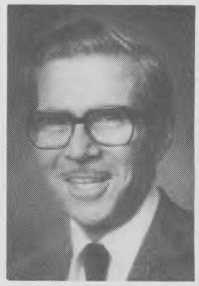
The final government-relations event (also on Monday) will be a workshop on how federal legislation affects banks, featuring James C. Sivon, chief counsel/minority staff director, House banking committee; Daniel M. Wall, staff director, Senate banking committee; and James C. Healey, assistant to the chairman, House ways and means committee.

ABA Officers for 1982-'83

JENKINS

KENNEDY

PIKE



ALEXANDER

BRENTON

William H. Kennedy Jr., ABA president, is chairman/CEO, National Bank of Commerce, Pine Bluff, Ark. He joined the bank 25 years ago. He was chairman, ABA government relations council, in 1979-'80.

C. Robert Brenton, ABA president-elect, will step up to president during this year's convention. He is president, Brenton Banks, Inc., Des Moines, Ia., and has been a banker since 1958. In 1969, he was elected to his present title at the HC.

Albert R. Pike, ABA treasurer (serving a second term), entered banking in 1939 at Central National, Cleveland. In 1955, he joined the former Lake National, now Bank One of Northeastern Ohio, Painesville, where he serves as chairman.

Llewellyn Jenkins, ABA council chairman and immediate past ABA president, is vice chairman, Manufacturers Hanover Trust, New York City. He joined its predecessor, the old Central Hanover Bank, in 1946, and became vice chairman/director in 1979.

Willis Alexander has been ABA executive vice president since 1969. He joined the ABA as a full-time staffer immediately after serving as ABA president. From 1947-'69, he was with Trenton (Mo.) Trust. He has been the bank's chairman since 1974.

Candidate for ABA Treasurer

Candidate for ABA treas. for 1983-'84 is Harry R. Mitiguy, pres./CEO, Howard Bank, Burlington, Vt. Mr. Mitiguy joined his bank in 1974 as pres./CEO/dir. He is a former member of the executive council of the Vermont Bankers Association and was chairman of the ABA communications council.

ABA Convention Dates

Honolulu has been a popular ABA convention city since 1969, when the association first ventured across the Pacific. The convention returned to the Aloha state in 1974 and 1978.

Next year's convention will be held in New York City and the following year will take it to New Orleans.

Pay Interest on All Demand Accounts, DIDC Recommends to Congress

CONGRESS has been asked to authorize interest payments on all checking accounts by Treasury Secretary Donald T. Regan, acting as chairman of the Depository Institutions Deregulation Committee (DIDC).

Mr. Regan wants Congress to give the DIDC authority to allow interest-rate payments on demand deposits of less than $2,500 at the NOW-account and automated-transfer-account ceiling of 5¼%. He included draft legislation with his proposal.

The DIDC's members voted to ask Congress to remove statutory prohibitions on interest payments at its meeting last June after it was decided that the committee itself did not have the authority to lift the prohibitions.

Mr. Regan said the action was necessary in order to uphold the effectiveness of existing ceilings on passbook savings accounts and on NOW accounts of less than $2,500. He said that, at present, "many transactions balances earn close to a market return, implicitly or explicitly" and therefore cost implications for depository institutions of paying interest on the accounts "would be of a manageable size and largely temporary."

An ABA spokesman disagreed with the secretary and predicted that the banking industry probably would oppose the idea, citing existing upward pressure on bank costs that would be aggravated by the move. The spokesman admitted that the rate ceiling recommended by the DIDC would minimize the likely cost impact of interest payments.

Should the measure become law, an adjustment of traditional practices regarding business checking accounts would likely occur, resulting in more costs to banks and more fees to customers.

Thrifts are expected to support the proposal.

ABA Pres. Kennedy Recaps Year in Office

WITHHOLDING REPEAL was the major achievement of the ABA during the term of current ABA President William H. Kennedy Jr. Mr. Kennedy, who took over as ABA president last October in Atlanta, took on the reins of the ABA just in time to participate vigorously in the withholding-repeal effort.

The Arkansas banker (he's chairman/CEO, National Bank of Commerce, Pine Bluff, Ark.) will complete his term as ABA president next month during the ABA convention in Honolulu.

Following is an interview with Mr. Kennedy.

Q: During your year as the ABA president, what would you consider to be the major achievements of the association?

A: Withholding of course. I was delighted with the results, naturally. But I also was delighted with the attitude of bankers all the way through the repeal campaign. Our repeal-of-withholding campaign showed that when we are together on an issue as we were on this one, both emotionally and otherwise, we can have political success. And if you don't have that unity and you go to Congress with a divided mind you are not nearly so successful. That, I think, was the primary lesson we learned from the withholding issue. We have to be together when we talk to politicians.

In addition to withholding, the ABA has been educating its members about the implications of deregulation in preparation for next year.

Q: Are there any special moments in the past year that stand out in your memory?

A: The confrontation we had with Senator Bob Dole certainly stands out. And, of course, I had a meeting with the President that also was memorable but not particularly pleasing because it was a confrontation and you never like to do that with the President of the United States. But as far as a personal highlight, I guess working with the Banking Leadership Conference, which is a group of 400-and-some men and women leaders in banking who represent a cross section of banking throughout the nation.

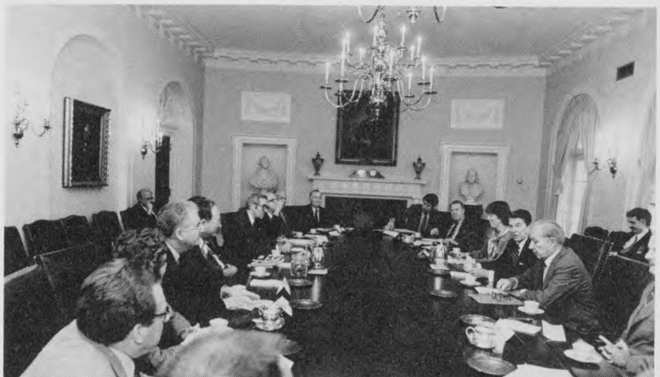
This group sits down together and takes on the very sensitive, tough issues confronting banking and ultimately develops a consensus that is truly representative of the entire industry.

Q: During your extensive travels on behalf of the ABA, what challenges did you find uppermost on the minds of the bankers that you met?

A: Well, in the short-term of course, it was the withholding issue that was paramount for a great part of the year. The other really overriding issue is the matter of deregulation and where we are going to be able to position the commercial banking industry.

Q: What specifics of deregulation did you keep hearing concerns about?

A: The fundamental concern of deregulation is how, down the road, commercial banks are going to profit. The industry is profitable at this particular point in time. But there is a realization by bankers that there is a squeeze on the interest-rate spread as a result of freeing up the liability side of the balance sheet. There is a concern that



Mr. Kennedy was no stranger at White House during his term as ABA pres. Above, he confers with Pres. Reagan and Treas. Sec. Donald Regan about withholding of interest (Mr. Kennedy is fourth from camera on l.). Photo at l. shows Mr. Kennedy leading bankers from White House following "confrontation" with President Reagan. Earlier this year, Mr. Kennedy was ranked among nation's most influential bankers by *U. S. News & World Report*. (Photo at l. courtesy Washington *Post*; above photo is official White House photo.)

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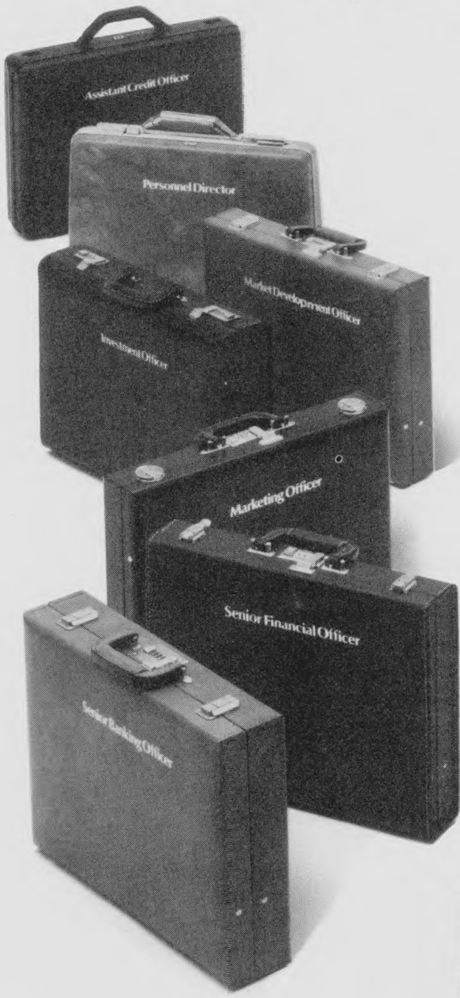

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Mr. Kennedy has spent a good deal of time testifying before congressional committees on topics relating to financial-institution industry. Here he testifies against attempt by Congress to bail out thrift institutions.

we are able to earn money on the asset side. It's too early to make a determination as to where that ought to be done. Bankers showed real interest in the Arthur Young study done for the ABA which indicated that insurance brokerages and real estate brokerages are two areas which would be appealing to banks of all sizes. But the basic concern is that we are not able to move in any direction because of regulations and we have to be free of that.

Q: Looking back, would you do it all again?

A: Yes, I would certainly do it again. It has been a great year for me as well as my wife, Marylena. We enjoyed the experience of meeting so many marvelous people and our industry is just full of that kind of folks. And, of course, traveling to as many places as I have this year has been exciting but it is the people who make it all worthwhile and the dedication that we all have in enhancing the commercial banking industry. And, also, maybe even more important is making the effort to do things that are right for our country. Being in the ABA has given me the opportunity to do that and I have enjoyed every minute of it.

* * *

WILLIAM H. KENNEDY JR. is a native of Arkansas. His varied career includes service as an officer in the U. S. Marine Corps with service in World War II and spokesman for the Arkansas Power & Light Co. in the area of economic and industrial development.

He joined National Bank of Commerce, Pine Bluff, in 1957 as vice president, was promoted to executive vice president in 1962, president/CEO in 1965 and chairman/CEO in 1978.

He is a past president of the Arkansas Bankers Association and has held numerous other leadership positions in the Ark.BA.

He has served the ABA as chairman of the economic education, government relations and legislative committees, member of the governing council, vice president for Arkansas and member of the executive committee.

Service to the state of Arkansas includes director and president, Arkansas State Chamber of Commerce; director and president, Arkansas Basin Association; member of the board of trustees of the Midwest Research Institute; chairman, Arkansas Waterways Commission; chairman, Arkansas State Council on Economic Education; and member, Arkansas Industrial Development Commission. ● ●

Reception honoring Mr. Kennedy following his installation as ABA pres. in Atlanta last year was given by Arkansas Bankers Association. Mr. Kennedy (2nd from l.) is greeted by Kenneth P. Wilson (l.), ch./CEO, First Jacksonville (Ark.) Bank. At r. is H. Charles "Bo" Carvill, Ark.BA exec. dir., greeting unidentified well-wisher.

One of many duties of ABA pres. is speaking at state banker association conventions. Here, Mr. Kennedy visits with others on program at Michigan Bankers Association convention at Mackinac Island last June. From l.: Barry Asmus, educator/consultant; Leland B. Helms, v.-ch./CEO, Nat'l Bank Wyandotte-Taylor, Mich.; and Mr. Kennedy.

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Honolulu Beckons ABA Members

By Mark S. Serepca, Assistant Director, ABA Public Relations Division

WITH ITS intricate blend of Polynesian charm and cosmopolitan excitement, Honolulu, site of the 1983 ABA convention, is unlike any other city in the United States.

Where else can one ride an outrigger canoe in the afternoon and dance at a glass-floored disco at night? Where else can one visit a modern three-tiered shopping complex in the afternoon and see demonstrations of the hula, Tahitian shimmy and Maori slap dances at night?

And the city has a diversity of sightseeing attractions that staggers the imagination: the Honolulu Academy of Arts, with extensive Western and Oriental collections; the Waikiki Aquarium, with brilliantly colored tropical fish and ominous-looking sharks; the 100-year-old Falls of Clyde, the world's only surviving full-rigged four-masted sailing ship; the Queen Emma Museum, the restored summer home of the 19th century Hawaiian ruler; and Chinatown, where everything from pastries to pearl jewelry may be purchased.

There's also Pearl Harbor, with a museum and the U.S.S. Arizona Memorial; Aloha Tower, Hawaii's version of the Empire State Building, with spectacular views of the city and harbor; Castle Park, a nearby 16-acre amusement park; the Bishop Museum, with exhibits ranging from rare historic Hawaiian artifacts to an ultramodern science center and planetarium; and Iolani Palace, the only royal palace under the U. S. flag.

A stay in Honolulu also should include visits to landmarks outside the city. Highlights of Oahu, the island on which Honolulu is located, include: Hanauma Bay, an underwater park; the Blow Hole, a geyser in the volcanic lava; Kaneohe Bay, where glass-bottom boat rides are offered; Byodo-In, a replica of a Japanese Buddhist temple; and Waimea Falls Park, containing an arboretum, a bird sanctuary, hiking trails, picnic sites and offering hula and cliff-diving exhibitions.

For the sportsperson, there are more than two dozen golf courses and more than 75 public tennis courts and 50 private courts in and around Honolulu. In addition, one can deep-sea fish for marlin and sailfish, hunt for wild pigs and goats in the nearby mountains, skin dive in Shark's Cove, hike on dozens of trails, or swim, surf, sail, hang-glide or even ice skate (at an indoor rink, of course).

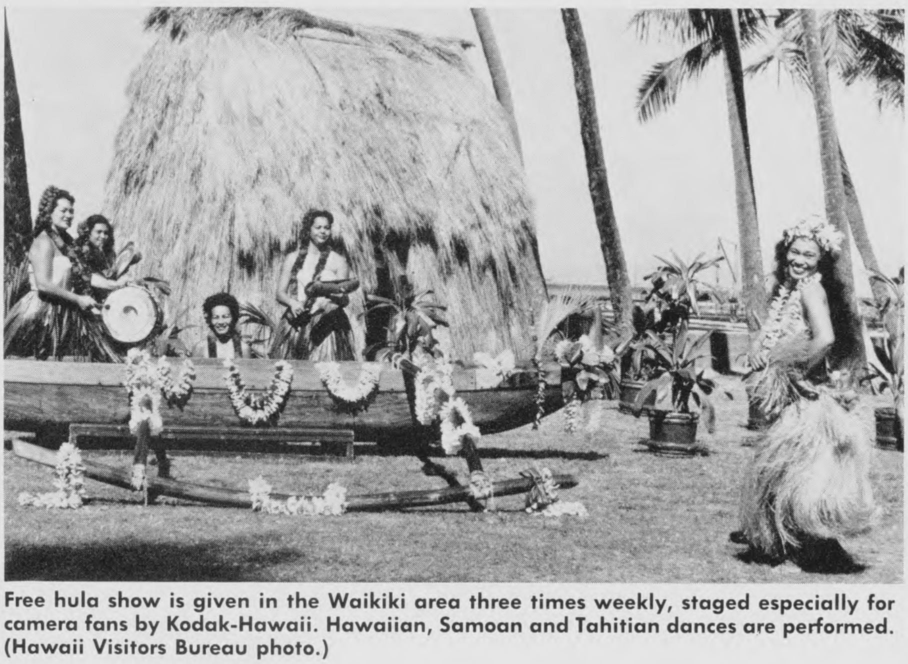
For those whose interests lean more toward dining than diving, Honolulu offers numerous native delicacies such as the traditional luau (feast) specialties, roast pig and poi, a thick paste made from taro root. Local seafoods include mahimahi (dolphin), moi (mullet) and ahi (yellowfish tuna), and fresh tropical fruits like mangoes, papayas and pineapples abound. There's even a native coffee — Kona.

Hawaiian hero is Kamehameha I, who united islands into one kingdom and founded mid-Pacific Kamehameha dynasty. His statue stands in front of Judiciary Building in Honolulu's civic center. (Hawaii Visitors Bureau photo.)

If one doesn't want to dine Hawaiian, however, the choice of cuisines includes American, British, Chinese, East Indian, French, Greek, Irish, Italian, Japanese, Korean, Mexican, Morroccan and Vietnamese. For the homesick, there are many familiar American fast-food outlets, too.

The weather should be grand in October, with an average daily maximum temperature of 82 degrees F and an average daily minimum of 72.

"Honolulu" means "fair haven," and although the name is believed to refer specifically to the metropolis' excellent harbor, the name certainly could apply to the entire city — an idyllic location for the ABA convention. ● ●



Free hula show is given in the Waikiki area three times weekly, staged especially for camera fans by Kodak-Hawaii. Hawaiian, Samoan and Tahitian dances are performed. (Hawaii Visitors Bureau photo.)

ABA 1983 HAWAII CONVENTION

More Loan-Review Committee Benefits Reported by Surveyed Institutions

THE AUGUST issue included the results of a reader survey on the benefits of loan-review committees. A number of responses received after our press deadline are included in this follow-up report:

First National, Artesia, N. M., established a loan committee and — after a nationwide search — hired a loan administrator when it became apparent that the $130-million bank with a $60-million loan portfolio needed increased loan supervision, according to C. Neal Johnson, president.

The loan committee is comprised of the CEO, president and five outside directors. The new loan administrator was hired as a senior vice president with supervisory control over the entire lending function. He reports directly to the president. The loan committee meets monthly with all officers present to review an array of loan-portfolio statistics. Each lending officer's delinquency totals, a list of customers by degree of delinquency, a special credit-attention list and the officer's charge-off list are reviewed at each meeting.

Weekly loan officer meetings are held to review loan policies, trends and problems and to conduct educational sessions.

While there is no formal loan-review process prior to making loans, loan officers consult informally with either the loan officer, president or CEO. Once a week, the president and the loan officer get together to discuss all lending-related matters, including loan pricing.

Despite a high delinquency rate, the bank is in better shape than its peers seem to be, thanks to the new system, Mr. Johnson says.

First National has a four-to-one mix of commercial loans to consumer loans.

Peoples Bank, Selma, Ala., established its loan-review committee in 1978. The committee includes the president/CEO, executive vice president and four directors. The credit officer attends meetings and loan officers and others meet with the committee as needed, says J. Clyde Walker Jr., credit officer of the $117-million bank.

Each month, the committee reviews positions and changes in all larger lines of credit ($50,000 or more) established during the prior month. It reviews all loans of $10,000 or more and loan reviews are presented from selected lines, including "trouble" lines and agricultural lines of credit. Past-due loan information also is reviewed and periodic updates are given on "trouble" lines of credit. Charged-off loans are reviewed and recommended for board approval and authorizations are made for changes in loan status. The committee also approves unusual loan requests on a "need" basis.

Security Bank, Mt. Vernon, Ill., an $115-million institution east of St. Louis, has had a loan-review program for about five years, according to Arthur Buesking, senior vice president.

Loan officers and representatives from the collection department make up the committee. Loan officers present loan reviews to the committee prior to the time the bank's position on each loan is determined.

Top priority is given to large-dollar loans and those that are questionable or problems, Mr. Buesking says. Following each meeting, the decision on how to deal with affected clients is documented in each customer's file.

"We feel this process has been beneficial to our loan officers so they are fully aware of substantial bank customers as well as potential problems with particular borrowers," Mr. Buesking says.

Industrial Bank, Houston. A loan-review committee established by this $104-million bank in 1974 was revamped in 1977 to make it more effective, says A. Glynn Slaydon, president. The committee consists of all loan officers, the president, the executive vice president and the cashier.

At weekly meetings, loan pricing, past-due loans and government regulations affecting lending are discussed. The meetings are especially helpful, says Mr. Slaydon, because the bank is located in two separate buildings and communication between lending officers would be difficult

Loan Workout Aids Given

NEW, MORE PRODUCTIVE responses are "urgently needed" that attack underlying causes of nonperforming loans and help to resurrect them as profitable assets, say James R. Johnson III, vice president, commercial asset management division, First National, Chicago, and Edwin A. Marks, president, Metter, Marks & Associates, Chicago-based management-consulting firm.

Their views appeared in a recent issue of *Commercial Lending Newsletter*, published by Robert Morris Associates.

Nonperforming loans always have been a burden to lenders, but today's portfolios of nonperformers have grown so large they threaten the survival of lending institutions, Messrs. Johnson and Marks assert. The best response for smaller banks might be to retain legal counsel that has good contacts with accountants, liquidators and collection agencies, they say. Smaller banks also may consider calling on the expertise of the loan-workout group of a larger correspondent bank.

"For larger banks, those with assets over $1 billion, part of the solution is to form its own internal workout group," Messrs. Johnson and Marks say. "In smaller regional banks, this can be a 'home-grown' person with good credit and negotiations skills. Bankers who are negotiators and yet understand the tradeoffs required in restructuring problem credits usually make good workout specialists."

The workout specialist, sometimes with the initial help of the former account officer, attempts to gain immediate insight into the company by taking the following steps, according to Messrs. Johnson and Marks:

- Making a cursory review of the credit files, financial statements and other pertinent documents.
- Interviewing all key members of the management team.
- Analyzing the history and projec-

(Continued on page 46)

Imagine building a new home for your bank with someone a thousand miles away from home.

"When you think about building, you naturally consider your own local resources first," says Frank Etheridge, president of Perkins State Bank in Williston, Florida. "We had capable firms available, but we'd also heard about the fine plan-design-build reputation of HBE up in St. Louis. We decided to investigate."

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Frank Etheridge, president of Perkins State Bank, likes everything about his new HBE-developed facility at Williston, Florida.

otherwise. The meetings also give loan officers an opportunity to familiarize themselves with customers besides their own, he adds.

One of the most important functions the committee performs, however, is updating the bank's credit information and required documentation, according to Mr. Slaydon.

Central Bank of the South, Birmingham, Ala., has no formal loan-review committee, but in early 1982, the $2.6-billion bank established a loan-review department that performs a similar function, says W. Jack James Jr., senior vice president. A random sampling of loans below a specified dollar amount determined by the credit committee is conducted. Loans above the cutoff require a full review, including documentation, and a report on all loans determined to be substandard is forwarded to line managers as well as the responsible group executive officer. The credit committee is given a summary report on loan deficiencies once a month.

The quality of credit has improved since implementation of the program, says Mr. James, although how much the program is directly responsible is still in doubt. The biggest benefit, he says, appears to be in the program's ability to spot problem areas early, providing more time to find acceptable solutions.

Victoria (Tex.) Bank. In early 1982, a loan and discount committee formed years earlier was converted to a loan-review committee, says Paul T. Brysch Jr., loan-review officer.

Currently serving on the committee are all members of top management as well as the heads of the credit department, loan-review department and the four lending departments. Implementation of new loan-review procedures has stimulated a great awareness of the credit worthiness and financial strength of debtors at the $571-million institution, according to Mr. Brysch.

Citizens National, Independence, Kan., uses a rating system to determine the quality of existing loans, says James P. Kelly, vice president.

Two weeks prior to the maturity date of a loan, the computer generates a notice that is mailed to the customer. The loan-review department — established several months ago — uses this notice to trigger a review of the customer's file. If all necessary financial information is available, the loan is given a quality rating; otherwise, the necessary information is requested of the loan officer, who is expected to complete the file before the note matures in two weeks.

Different rating systems are used for agriculture, commercial and personal lines. Ratings assigned to each customer file take into consideration different financial ratios and other general information about the customer. Files not completed within two weeks are turned over to the senior lending officer at the $70-million institution, who reviews the file and takes whatever action he deems to be fit.

While it is still too early to measure the success of the program, the files of 272 customers have been reviewed and there have been "real strides" in improving the documentation of existing loans, says Mr. Kelly. Officers also are becoming more detail conscious on the loans they make and an improvement in customer financial information in the files has been noticed, he says.

In the first part of this article, published in the August issue, the word "Plains" was inadvertently omitted from the title of Plains National Bank, Lubbock, Tex., whose president, Tom Battin, submitted information about his bank's loan-review program. We apologize for any inconvenience and/or embarrassment this omission may have caused. The Editors.

Fourth National, Wichita, is a $556-million institution with a loan-review committee nearly a decade old. There have been recent efforts to increase the staff so that more loans can be reviewed, according to Keith Gravel, vice president. The chairman of the committee is the senior loan officer.

Others who serve include: the senior vice president in charge of the commercial-loan department, four credit analysts, the manager of commercial-loan operations (who serves as supervisor of credit-analyst personnel), the auditor and the in-house legal counsel.

Four credit analysts review the financial statements of each account being analyzed as well as check the applicable documentation for each loan. Findings of the credit analysts are summarized in memorandum form and distributed to each committee member prior to a loan-review committee meeting. The committee meets biweekly and following the meeting, a second memorandum summarizing the committee's observations and recommendations and a loan rating is prepared on each account reviewed. The second memorandum and the loan-review memo are distributed to senior executives of both the bank and the holding company.

While few "surprises" have been uncovered by the loan-review committee — a tribute to the performance of loan officers — the program has encouraged loan officers to correct documentation problems, and — in some cases — to restructure loans, says Mr. Gravel.

First Bank, Michigan City, Ind., has a four-year-old loan-review committee which recently changed its meeting schedule to monthly rather than quarterly due to the current state of the economy, says Jack Armstrong, vice president. The committee consists of the loan-review officer and — on occasion — other officers who may have responsibility for a loan on the institution's watch list.

The committee is used primarily to pool experience and creativity in handling problem situations, but the $179-million institution has a policy of not advancing more money to a client on the watch list without the prior approval of at least two members of the committee.

Mr. Armstrong says the committee has helped to keep lines of communication open in working out problem loans.

Fidelity Bank, Minneapolis, an affiliation of seven banks with total assets of $300 million, developed a loan-review program in 1978 to avoid "surprises" in the bank's commercial and agricultural loan portfolio, says David Gilman, president.

The review is completed by the loan officer with subsequent reviews by the bank manager and the corporate loan-review staff. Emphasis on simplicity without sacrificing thorough analysis of the most significant risk factors is the cornerstone on which the program is founded, Mr. Gilman says.

The program has been successful, he says, because the banks have not been surprised during examinations by regulatory authorities and the transmission of information about problem accounts is immediate, permitting rapid remedial action, he says.

Bank Launches Old-Fashioned 'Grow, Show and Sell' Fair

First National, Libertyville, Ill., launched an annual "Grow, Show and Sell" mini-fair recently.

Participants 14 and older were encouraged to submit entries in the categories of flowers, fruits, vegetables and by-products (baked or canned goods). Winners in each category were entered in a drawing for 12 cash prizes totalling $700.

After the drawing, all entries and donations were sold to benefit a local charity.

Mortgages Will Be More Affordable, MGIC North-Central Survey Shows

CONTINUED economic recovery and a return to more reasonable interest rates should mean that homeowners will be seeing more stable, affordable mortgage plans than have been available during the past two years, according to the recently released results of a semi-annual market survey by Mortgage Guaranty Insurance Corp. (MGIC).

Conducted in May, the survey of north-central mortgage lenders is the fourth in a series of studies that track changes in the mortgage environment and analyze vendor perceptions of the marketplace. The north central geographic survey region included lenders in Illinois, Wisconsin, Ohio, Michigan, Indiana and Minnesota.

"The major findings show that regional mortgage lenders are projecting a record increase in home-loan originations for 1983," said Jack Reichert, senior vice president and north-central division manager of MGIC. "Lenders forecast a 74% increase in mortgage-loan originations this year — which is twice the increase originally projected for 1983 by this same group in 1982."

To meet this renewed demand for home financing, Mr. Reichert noted that borrowers will see a shift in the types of mortgage plans offered by lending institutions. Creative-financing techniques, popular during high interest-rate periods, are expected to fade into the background as traditional fixed-rate and longer-term, consumer-oriented, adjustable-rate mortgage plans become stronger.

High-interest-rate loans originated over the past two years are being refinanced at current-rate levels. These loan refinances, which accounted for 36% of all originations nationwide for the first quarter of 1983, are, however, expected to slow as the year proceeds.

"The high rate and unique mortgage arrangements borrowers accepted under the stress conditions of 1981 and '82 are gradually disappearing in today's mortgage market," he explained. "Furthermore, the availability of more affordable mortgage rates — at levels lower than those experienced during the past two years — is expected to open the market to more potential home buyers."

While borrowers will be able to choose from a broad array of mortgage instruments, the fixed-rate mortgage and the adjustable-rate mortgage (ARM) are emerging as the prominent loan plans for 1983. Today, more than 30% of the north-central regional lenders plan to feature both instruments, supplemented by a mix of other modern loan offerings.

Survey findings show that the fixed-rate mortgage is likely to dominate loan originations, comprising 61% of total lending — a 13 percentage-point increase from last fall. The ARM mortgage, in comparison, will continue to retain its approximate one-third market share.

Mr. Reichert commented that loan characteristics of the ARM have changed to reflect consumer demand. Earlier MGIC surveys conducted during the sellers' market of the past two years revealed regional lender preference for ARM instruments with annual interest rate and payment adjustments to correspond with the timing of typical household compensation changes.

The 1983 survey indicates that consumer concern about ARM payment uncertainty has forced mortgage lenders to lengthen ARM adjustment periods, according to Mr. Reichert. Nearly half of all regional lenders now plan to delay rate and payment adjustments until the two-year to three-year mark and even to four- and five-year intervals.

"There is little doubt that this move to longer ARM periods is a conscious effort by north-central area lenders to balance consumer concerns regarding rate and payment volatility with their own lending risks," he observed.

Although the current interest-rate environment and lower levels of inflation have eased the consumer affordability issue, reduced monthly payments often provide the necessary incentive for potential home buyers to enter the markets, Mr. Reichert continued. As a result, 43% of the lenders plan to discount the initial loan rate on ARM instruments. And the proportion of lenders who will permit negative amortization has declined from 54% two years ago to 13% today.

In addition, a variety of modern mortgage instruments will be available to meet the specific loan needs of certain borrowers. Balloon mortgages, early ownership mortgages and graduated-payment mortgages — while declining in overall market popularity — will continue to be made available to home buyers as customized alternative loan plans. Survey findings show that these three instrument types combined will account for 11% of lending volume in 1983.

"The regional mortgage finance market of the past few years — while often volatile and uncertain — has produced some positive results. It has expanded permanently the range of mortgage instruments available and the terms of those instruments to meet the specific loan needs of potential home buyers," Mr. Reichert concluded. • •

• Eighteen case histories of successful telemarketing campaigns are chronicled in *Telemarketing Campaigns That Work!* published by McGraw-Hill. The author, Murray Roman, is chairman of a company that conducts telemarketing campaigns.

• *Guide to the Manufactured Housing Financing Community* contains the names, addresses, telephone numbers and lending-officer contacts of about 1,000 manufactured-housing lending institutions as well as a list of major manufactured-housing insurance companies. For more information, contact David J. Leichey, Box 1981, Palm Springs, CA 92263.

New Design to Make Visa Cards More Secure

VISA INTERNATIONAL has placed new security properties in a revised new design for all Visa cards in an attempt to make the cards more secure. Properties being added to the card include a border of bank identification codes micro-printed around the marks and security panel; a field of fine-line printing in the product-identification panel; the dove in flight, a trademark printed with ink visible only under ultra-violet light; and an embossed security symbol.

Other new security precautions on the card are a printed replica of the bank-identification number above the embossed number; either a hologram (three-dimensional picture) or lens-shaped print of the Visa dove, incorporated in a security panel covering the last seven digits of the account number; and coding, known only to Visa security officers, that can be changed randomly as part of the production process.

All Visa cards will be converted to the new design which will include the Visa name, and blue, white and gold bands as identification of the worldwide Visa payments system.

The design also will feature a new product trademark to identify different types of Visa cards and a security symbol in a panel placed vertically at the right side of the card.

Each bank offering the Visa card will design the card face to feature its own identity and services. The design will incorporate Visa trademarks.

"These new card-security properties will make Visa cards extremely difficult and hazardous to counterfeit," says D. W. Hock, president, Visa International and CEO, Visa U.S.A.

The security features and new design will be phased in with issuance of the Electron card later this year, and will be completed within three years, according to Visa.

"The new design will allow us to place a security symbol directly over the last several digits of the embossed account number, combating the most common form of counterfeiting — changing account numbers," says Mr. Hock.

The new card security properties are only part of Visa's fraud-control program, he adds. "The long-term solution to card fraud and to the larger problem of credit loss is to electronically identify each customer as the person authorized to present the card, to authorize every transaction at the point of sale and to continue vigorous prosecution of fraud when it occurs."

Two doves, one conspicuous and one nearly invisible, are among new anti-counterfeiting properties being incorporated in new Visa card design. Security features and new design will be phased in beginning early next year as part of three-year changeover.

To that end, Visa members have installed or ordered more than 35,000 point-of-sale dial terminals and Visa projects another 8,000 installations by the end of the year. In addition, Visa is:

- Developing a low-cost audio response terminal with Texas Instruments to bring transaction-authorization service to the small retailer.
- Developing technology for electronic signature verification with a company formed by Visa and SRI International.
- Expanding its transaction-processing facilities and telecommunications network to accommodate growth in volume of authorization inquiries.

BAI Manual Offers Methods To Reduce ATM Security Risks

A new manual, *ATM Security*, describes the potential risks of automatic teller machines, from possible threats to customer and employee safety to physical security of the equipment.

Published by the Bank Administration Institute (BAI), the manual presents practical ways for banks to implement "effective programs to reduce the risk of injury, liability and financial loss," says Richard M. McCormick, chairman of the BAI's security commission.

House Subcommittee Passes Credit-Card Fraud Bill

Legislation aimed at closing loopholes that permit criminals who fraudulently use credit cards and credit-card account numbers to flourish has passed a subcommittee of the House banking committee.

The so-called "Credit Card Protection Act" would give the federal government jurisdiction over a wide range of credit-card abuses currently covered by a patchwork quilt of state laws. Fraudulent use of credit cards or account numbers would be prohibited by federal law and possession of five or more illegally obtained cards or account numbers would become a federal criminal offense.

Criminals have been able to escape prosecution for credit-card offenses by keeping the fraud attributable to any one card below the current $1,000 minimum. That would change under the new law. The $1,000 minimum would become cumulative so that any credit-card offense amounting to $1,000 or more could be prosecuted under federal laws regardless of how many individual cards were involved.

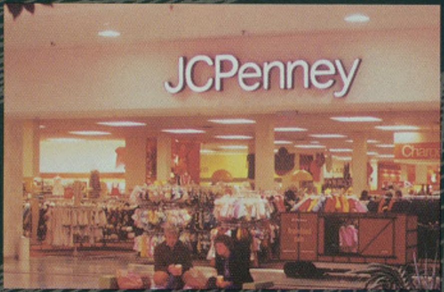
With certain exceptions, the draft of the bill passed by the House subcommittee on consumer affairs and coinage also would make it illegal for businesses to reveal customers' credit-card account numbers.

Another anti-fraud bill aimed at stopping credit-card abuse currently is being considered by the Senate. The House and Senate may ultimately have to work out their differences in a conference committee if they end up passing different versions of the same legislation. The Senate bill takes a different approach to curbing credit-card abuse than the House bill does.

The House banking committee was expected to pass its version of the bill after the August recess and full House approval could come as early as late September.

Major credit-card companies generally have been supportive of legislation that would curb the mushrooming credit-card abuse problem. Last year Visa lost $20 million on credit-card counterfeiting, up from $12,000 a decade earlier. MasterCard says its total fraud and counterfeiting losses last year were $45 million.

Identification For The 80's... And Beyond



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Bank Uses Dale Carnegie Courses To Motivate Staff to Produce Sales

HAVE YOU ever observed a highly motivated individual who was conscientious about paying compliments to others and thought, "He must have taken a Dale Carnegie course?"

Carnegie's "How to Win Friends and Influence People" philosophy has been used for years by a broad spectrum of businesses to improve customer and personal relations. But the banking industry still is "virgin territory" for Carnegie methods, claims Central Counties Bank President Elmer G. Grant, who gives the technique a lion's share of credit for tripling his institution's assets and expanding its offices from six to 16 during a two-year period.

Mr. Grant has used a variety of Carnegie courses and strategies to help move his bank, located in State College, Pa., from 926th place to 386th place in the list of largest banks in the country — and all in just a decade's time. He says his bank is the fastest growing financial institution in a five-county area of central Pennsylvania.

He began utilizing Carnegie methods when he accepted the bank's presidency in 1972. "I gave up a very secure and prestigious senior vice presidency at Pittsburgh National," he says, to accept the challenge of building a strong regional bank.

He began with the premise: Full-service bankers need full-service training. But Central Counties had no training program. So Mr. Grant initiated the Dale Carnegie courses because they "provided instant training without a waiting period."

The Carnegie management seminar was required "for our entire management staff, from the president down to line managers," he says. "Sessions were scheduled during nonbanking hours. We learned to understand the importance of clearly defining the bank's objectives" and the way each member of our management team fit into those objectives.

To date, 170 management-position employees have taken the Dale Carnegie management-by-objective course.

The program has enabled the bank to develop a leadership structure, says Mr. Grant, "one that has substance, not just theory. Not only do we define our objectives in writing, we report back quarterly in writing to see what we have accomplished toward our goals. This strict routine or regimentation stimulates better personal discipline and accountability.

"Every member of our management team knows what's expected in terms of performance," he emphasizes. "Our branch managers no longer function by the seat of their pants, floundering and changing direction every day. They know where they're going, how and why. There is a game plan and they have been a part of the strategy."

Of even greater significance, stresses Mr. Grant, is that the bank's more capable employees have risen to their potential."

As his management team developed a structured leadership, Mr. Grant observed the need for all bank employees to learn more about customer relations and personal development. More than 300 Central County employees were given a Carnegie course designed to improve human-relations skills. All reported that their self-confidence improved and they were able to form more productive and rewarding personal relationships.

"Of special note was the amount of appreciation expressed by middle-level people," says Mr. Grant. "They said the course made them feel that the bank cares about them."

Experiencing measurable success with the first two Carnegie programs, Mr. Grant decided to offer a third — an effective-speaking-and-human-relations

(Continued on page BG/10)

Employees of Central Counties Bank, State College, Pa., participate in confidence-boosting course staged at bank by Dale Carnegie & Associates, Inc. Bank has been utilizing Carnegie courses for several years.

New Products, Creative Marketing Keys to Meeting Nonbank Competition

"SOME 4,000 nonbank financial institutions are competing with banks and thrifts. None of them existed five years ago. One of them has 856 branches nationwide and its name is Sears, Roebuck."

These statements were used by Michael Higgins, president, Overland National, Grand Island, Neb., to set the stage for a discussion of future banking products at a recent bank CEO conference.

"We know competition is going to be keen and we know what's going to happen to our spreads and margins," he said. "One alternative to meet this challenge certainly is new products — primarily new products that generate fee income."

But, he said, new products alone aren't enough to enable banks and thrifts to win the competition race with nonbank financial institutions. Attitudes must be changed.

By attitudes, he means how bankers perceive their markets and how their markets perceive banks. "We're going to have to change our marketing approach to one of customer orientation," he said. "And that's going to take a whole new group of people, people with entirely different skills than those we've used to compete with in the last decade."

Bankers must realize that the new marketing attitude recognizes that "we've gone from a seller's market where we control everything to a buyers' market. That means we're going to have to go from a product-orientation mentality to a customer-orientation mentality. And these two mentalities are as different from one another as selling horses is to selling jet aircraft as a means of transportation."

Bankers must realize that the new marketing attitude recognizes that "we've gone from a seller's market where we control everything to a buyers' market . . . from a product-orientation mentality to a customer-orientation mentality."

Mr. Higgins says there isn't anything bankers are going to be doing in the future that won't be dramatically new and significantly changed from the way the industry did things in the past. "We must completely restructure our organizations to deliver our products and services from a basis of customer need rather than from a basis of what products we want to sell." The central focus must be on customers rather than products and bankers will have to listen to their customers so they can understand customer concerns. "We'll have to focus on their needs, not just on our own," he said. "And if we don't provide what our customers want, one of those 4,000 nonbank institutions will!"

He advised bankers to become creative and provide the products corporate customers need to survive, such as fixed-rate loans. And bankers should not take on the mentality that if products can't be delivered as they were formerly, they just can't be delivered at all.

"We will provide what the customer wants or we'll lose an incredibly large piece of the business we have today," he said.

He cited the gold card as an example of a missed opportunity on the part of bankers. "We had a 15-year jump on our competitors, but it didn't occur to us to ask the customer if he was willing to pay a fairly substantial fee every year to have the benefits of a gold card."

Discount brokerage is another example. "When fees were deregulated in the securities business, the banking industry should have entered the market in a big way because it was so far ahead of everyone else. I think we didn't jump in primarily because we haven't had to think creatively because our industry really hasn't been in a competitive market before. We were in a regulated market, and we were used to having regulators tell us what kind of products we had to offer."

The real purpose of contemporary marketing is to identify and resolve customer needs, Mr. Higgins said. He shared an example of this type of marketing at his bank. A major meat-packing firm had moved to Grand Island and every financial institution in the area was interested in getting the firm's business.

"We took the retailer approach to the firm," Mr. Higgins said. He knew the firm planned to add about $9 million worth of additional facilities at its site and to hire 400 new employees. The firm took over a packing plant that everyone had expected would be closed, saving 200 existing jobs.

"We met weekly for about six weeks to determine how our bank could meet that customer's need," Mr. Higgins said. The bankers came up with many ideas, some of which were unusual.

One was to ask the firm if information on cattle-count data in the area would be helpful. "The firm hadn't done that yet, so we took it upon ourselves to do it with the cooperation of our network of banks in the area," Mr. Higgins said.

The bankers asked the firm if it could organize a cattleman's tour of the firm's main plant in another city. "We took a couple of busloads of key cattle feeders to the plant. We knew our cattle feeders

could benefit from seeing the high-quality feeding required by the firm," Mr. Higgins said.

The bank offered to secure interim office space for use while the firm was rebuilding its plant. The bankers reasoned that the space was needed so the firm could interview and process the 400 new employees.

The firm's management was asked if it wanted the bank to promote the firm's name in Grand Island so local people would be made aware of the firm's product.

The bank offered to feature the firm's beef as a deposit premium. "We had a corral and freezers placed in the bank lobby and decorated the place with bales of hay. We went through thousands of pounds of beef," Mr. Higgins said.

The bankers asked the firm's management if it knew the firm's market potential in the state and offered to help identify this market. The bank provided an 1,110-page computer printout of every beef consumer in the state and how much and what grade beef he/she consumed.

"Instead of giving us 30 minutes of his time, as was his original restriction when we came to call, the president of the firm talked with us for four-and-a-half hours," Mr. Higgins said. The firm's usual procedure was to spread its accounts evenly around the banks in town, but, due to Overland National's creative-marketing approach, the firm gave all of its business to that bank. The firm's CEO was elected to the bank's board a few months after the plant began operations in Grand Island.

"Identifying a customer's needs can completely turn a corporation around," Mr. Higgins said.

It's essential that bank management anticipate the needs of its high-balance customers, Mr. Higgins said. His bank created a profile of three types of high-balance customers.

The first type is the high-income upscale market, made up of professionals. This market includes 25% of the nation's high-income households and many individuals in this market have inherited wealth.

"These people need tax and investment-planning services," Mr. Higgins said. "They are extremely competitive and they now work with brokerage houses and financial planners. They have higher-than-average interest in discount-brokerage services."

Type two is the retail middle-market customer, which constitutes about 45% of the total number of high-balance customers. Most are two-income families, are in the mid-'30s age bracket and have average household incomes from $25,000 to $50,000. They are convenience oriented and need a broad range of services, according to Mr. Higgins.

Retirees make up the largest portion of the third type of high-balance customer. "These people are looking for security, safety and personal service. They are highly loyal and resistant to change and constitute a rapidly growing market," Mr. Higgins said.

Here's what the high-balance-customer market wants, he said:

- All-in-one monthly statements.
- One-stop banking.
- Equitable pricing of services.
- Personal lines of credit, personal financial advice and personal insurance.
- Travel and merchandise discounts.
- Preferred-customer facilities.
- Investment newsletters.
- Professional seminars.
- Discount-brokerage service.

"If we don't offer these services, we won't get their business," Mr. Higgins said. "Bear in mind that these people want to handle all their financial matters — including insurance — in one place — their bank!"

Bankers desiring to court high-balance customers should do the following, Mr. Higgins said:

- Emphasize one-on-one relationships. Train people to be account managers and deposit counsellors.
- Identify a financial-delivery system and determine what portion of it the bank can offer to its customers.
- Find out what customers need in the area of financial counselling. Learn their objectives. Be prepared to offer advice in the securities area, real estate, precious metals, tax shelters, deferred annuities, tax exempts, business and investment opportunities and short-term traditional instruments.
- Create a package of unique investment-advisory services that includes newsletters, tapes and audio-visual systems. Offer it to discount-brokerage-service customers.
- Offer a full line of insurance services at either the bank or HC level. This is a major income-producing area.
- Offer real estate services either at the bank or HC level. Mr. Higgins advises that banks offering first-mortgage financing do it with the understanding that the packages will be spun off into the secondary market.
- Offer discount-brokerage service because it's good for the customer, it offers product differentiation, lets the bank position itself in a market, offers unlimited cross-sell opportunities, provides fee income and opens the door to "super-financial" relationships with customers.

When considering any new bank product, Mr. Higgins advises that bankers keep this advice in mind: "If my bank doesn't provide the services the customer wants, one or more of the 4,000 nonbank financial institutions will provide it!" • •

Searching for the Perfect Premium: Good Planning Helpful, Say Bankers

THOROUGH planning and careful premium selection are the keys to successful in-lieu-of-interest promotions, say bank and thrift executives who have sponsored such programs.

In search of the perfect premium, financial institutions have tried everything from canoes to computers. Some banks and thrifts have been happy with their promotions; others haven't. Promotions that appear to have been the most successful are those that have been carefully planned and those that featured premiums chosen for their attractiveness to the target market.

Washington Federal Savings & Loan, Stillwater, Minn., was pleased with the results of a trip-to-Scandanavia promotion it sponsored in February, says Hank Sampson, vice president/marketing. The Scandanavian tour marked the first time that Washington Federal had attempted such a promotion and there were the usual jitters associated with any new project, he confesses.

"We ended up with 24 people going on the trip, which was enough to make the promotion worthwhile," Mr. Sampson says.

He credits the success of the venture to its natural tie-in with the local community, which is heavily Scandanavian and German. Anything with a Scandanavian or German theme is certain to be a "real grabber" in the Stillwater area, Mr. Sampson insists. In fact, another in-lieu-of-interest promotion is in the works, only this time the trip will be to Germany and Switzerland.

To be successful, bank and thrift promotions must be well thought out, Mr. Sampson says. Accepting the offer of the "first salesman who walks through the door with a deal on pots and pans" can, in his opinion, be a one-way ticket to failure.

Prior to joining Washington Federal, Mr. Sampson had an opportunity to plan several European tours for a broadcasting firm he worked for. The expertise he acquired was useful in dealing with travel agents and the complexities of planning a tour for a large group of people, he said.

Gateway City Federal Savings, Fargo, N. D., sponsored a midwinter "Love Boat" cruise that also produced very satisfactory results, according to Darlene Entringer, advertising/public relations director. Fifty-six people took the tour, 38 of whom had deposited $20,000 each on the promise of the trip and a 9% annual return on their money for five years.

Premium Spending Up

Premium/incentive spending by banks and thrifts is expected to increase 6.4% to $589,086,000 in 1983, according to the July, 1983, issue of *Premium/Incentive Business* magazine.

Last year, banks and thrifts posted a 7.8% increase over 1981 premium/sales figures. Incentive travel represented 11.2% of the total premium/incentive budget for banks and thrifts last year, according to the magazine, and incentive-travel spending is expected to increase by 11.2% this year.

For Gateway City Federal, the Love Boat cruise was a logical complement to a Caribbean cruise the thrift had sponsored earlier, according to Ms. Entringer. Of course, Fargo does get cold in the winter, Ms. Entringer points out, so any warm-weather port is likely to be a good draw. A tie-in with a popular television show of the same name didn't hurt, she adds.

Many of Gateway City Federal's customers are more than 55 years of age and a large percentage are widows who fear taking long trips to exotic locations by themselves. Ms. Entringer says that those who take a Gateway City Federal-sponsored tour know they will be watched over throughout the cruise.

"We try to see that they get extra-special attention," she says, "and it must work because our trips always are successful."

An "Aloha" tour to Hawaii is planned for next winter and Ms. Entringer says that interest in the trip already is running high. The only problem was that Gateway City Federal was somewhat hesitant to make an early commitment to an interest rate for five years, given the uncertainty about the direction of rates.

In addition to tours, computers have become popular in-lieu-of-interest premiums for banks and thrifts. Two small banks in Champaign/Urbana, Ill., joined forces earlier this year to offer a Kaypro II micro-computer and accompanying software for purchase of a 30-month $7,500 CD. In addition to a computer, the depositor received two hours of instruction from the computer supplier.

As the home of the University of Illinois, Champaign/Urbana was the logical location to experiment with micro-computers as a premium, says Richard Baker, president of City Bank. He describes the local community as "extremely well educated, white collar and high tech." Seven computers were distributed as a result of the promotion and that translated into more than $55,000 in new money brought into City Bank and its affiliate, Market Place National.

While Mr. Baker and Market Place National's President Al Lutton naturally would have liked to place more computers, they say they achieved their objectives in getting a great deal of favorable publicity for their banks. Mr. Baker was especially pleased with the high visibility the promotion provided.

(Continued on page BG/10)

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Located in a well-traveled shopping mall, City Bank set up a display of the Kaypro II in a kiosk in the mall. If nothing else, the promotion showed that the kiosk is the best advertising billboard the bank could have, according to Mr. Baker.

Brazosport Bank, Freeport, Tex., is another institution that has experimented with computers as premiums. An $8,444 deposit in a 36-month CD earned the investor an Apple IIe computer as advance interest. There was no limit on the number of computers an individual might receive as long as a $8,444 deposit was made for each.

Although the number of new deposits attracted by the promotion was not overwhelming, the talk it created in Brazosport was, according to Ranelle Sharp, marketing officer. "Many people called to ask for more information," she says. "I think we reinforced our image as a progressive bank."

Other popular in-lieu-of-interest premiums are those with outdoor themes. James W. McLaughlin, president of First Citizens National, Newport, N. H., says that careful premium selection and planning helped to produce satisfactory results during a promotion his bank sponsored that featured rifles, made locally, as the premium. Many of his bank's depositors are employed at the arms factory, Mr. McLaughlin points out, so there was more than just the allure of a finely crafted rifle to bring in deposits. Many participants obviously felt they were helping out the local economy, he says.

Mr. McLaughlin spent at least a year in examining the legal complexities of using rifles as premiums as well as interest prepayment rules that could have affected the promotion before he made the decision to proceed. Although he refuses to discuss in specific terms how successful the program was, he says that all the planning and work was worthwhile. ● ●

Carnegie Course

(Continued from page BG/3)

course. All the bank's managers were given the option of taking the course and Mr. Grant says that when he examined the performance of the 20 who completed it, he realized those individuals would progress more rapidly than others.

One of the bank's most successful endeavors was offering the Dale Carnegie customer-relations course to area automobile dealers. "We picked up the full cost," says Mr. Grant, "and all we asked was for the salesmen to think of us when talking about financing with their customers."

Two hundred forty salesmen from four counties took the course, and dealer business increased 71% during the following year. Mr. Grant estimates that about one-third of that growth was a result of the Dale Carnegie training, and the rest was due to his bank's "aggressive stance. We called regularly on dealers and expanded our base to several surrounding counties. We just kept knocking on doors."

A typical reaction to the course was expressed by an area Dodge dealer: "Thank you, Central Counties, for having the forethought and confidence to give your dealers something that will be meaningful for the rest of their business lives."

Central Counties' staff has grown from 70 to 376 since Mr. Grant became its president. Its assets have increased from $72 million to $572 million. "Our five-year average return on assets is 1.05% compared with our national peer group average of .88%, says Mr. Grant.

He estimates that the bank has spent about 1% of its operating income on the Dale Carnegie program "and it has paid dividends to us, our customers and our shareholders." ● ●

Hot-Air Balloon Promotes Bank Name Change

Demonstrating its conviction that the new spirit and pride surging across Michigan is not hot air and celebrating a change of name, First of America Bank Corp., headquartered in Kalamazoo, released thousands of helium-filled balloons over the state recently.

Lucky individuals who retrieved the balloons simultaneously released from the company's 28 locations could claim prizes ranging from $1,000 in cash to First of America T-shirts.

First of America's corporate symbol, a hot-air balloon, hovered above the company's Crosstown Branch in Kalamazoo during ceremonies marking the change of name. Formerly, First of America affiliates were known by a variety of names. Now all banks in the system will be known as First of America Bank of whatever community in which they are located and will have the same corporate logo.

The First of America logo is highly visible on the side of the hot-air balloon which various affiliates planned to use in special promotions throughout the summer. The balloon, says Daniel R. Smith, HC president, is a symbol of First of America's belief that Michigan's economy is rebounding.

First of America employees released 1,000 helium-filled balloons simultaneously from each of HC's 28 locations during promotion.

Personal Selling Comes Out of Closet As 'Way to Go' in Marketing Approach

IT'S NOT UNUSUAL to hear of individuals "coming out of the closet" in regard to their personal preferences, but lately banks and thrifts have begun to "uncloset" their approaches to aggressive marketing tactics.

And personal selling appears to be the key factor in the success of these institutions.

"Since banks and thrifts offer essentially the same products and approach other disciplines of marketing in similar ways, personal selling provides bankers with their most potent weapon in the shoot-out for customers and accounts," says Roy Alexander, author of the book *Secrets of Closing Sales*.

"Since banks and thrifts offer essentially the same products and approach other disciplines of marketing in similar ways, personal selling provides bankers with their most potent weapon in the shoot-out for customers and accounts."

Although Mr. Alexander thinks financial institutions have a long way to go before they can be termed proficient in the art of personal selling, the following round-up of examples of such institutions' attempts at this relatively new type of marketing attest to the probability of more of their brethren coming out of the closet of marketing neglect in the foreseeable future.

Friendly National in Oklahoma City regularly surveys customers by telephone and mail to determine attitudes toward various options the bank is considering. The surveys have been useful in identifying locations for future branches and determining whether those branches should be full service or limited service. The bank's customer sampling also revealed reasons why more customers are not using the ATM network, according to Jim Daniel, president/CEO.

Many customers seem to prefer dealing with a human teller, he said, and there are those who genuinely fear dealing with a machine. His conclusion, based on research thus far, is that the bank has to begin a new advertising campaign to sell a percentage of the as yet unconvinced public on the advantages of ATMs.

Obviously, it's important for a financial institution — especially one with the name Friendly National — to display a sunny disposition to the public. Friendly National tests how friendly its customer-contact personnel are by sending out individuals disguised as customers to grade bankers' performance. Each employee is given an opportunity to see the grader's evaluation of his/her performance and to discuss the evaluation with a supervisor. Shortly after the program was started, the bank began to hear from customers who said they had noticed that bank personnel seemed to be friendlier, Mr. Daniel said.

Determining how the public perceives the bank and testing new services prior to introduction is especially important in this era of bank deregulation, according to Donald I. Menefee, president, University Bank, Green Bay, Wis. University Bank recently started using market sampling techniques Mr. Menefee honed in his pre-banking days as a management consultant. He claims the bank is increasing its sales-success ratio as a result.

"We go out to sample and find out what people really want," he said. "In the past, bankers have developed new products, then walked away and wondered why they didn't sell."

Mr. Menefee said he refuses to fall into the trap of adding services to match the competition. Offering a smorgasbord of 27 different items, only a few of which are really in demand, is fruitless in his opinion. University Bank is narrowing its offerings to those the public seems to want, he said.

Financial institutions are becoming more adept at identifying particular market segments for the services they offer. A popular target these days is the high-balance or "up-scale" customer.

At United Missouri Bank, Kansas City, high-net-worth customers are directed to Leone Park's personal financial planning division where they are accorded VIP treatment. Mrs. Park, an executive vice president, said that "not long ago our personal bankers didn't recognize our more up-scale customers."

She contends that customers with a high net worth have financial needs that go beyond those of the average customer. Selling new services to such customers requires people trained to cater to those needs, she said. Her four-person staff of trained executives will treat up-scale customers to a meal in the bank's executive dining room or visit the client at home if need be.

Mrs. Park's department has generated $50 million in current and future fees which she attributes to the year-old, up-scale customer program. She said she anticipates an even more stunning success record in the second year of the program.

In addition to the fees directly attributable to the up-scale customer program, Mrs. Park said that interacting closely with up-scale customers and probing to uncover hidden financial needs

FOR YOUR DIRECTORS — TO HELP THEM HELP YOU

No. 51 BUDGETING, FORECASTING and PLANNING

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

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

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

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

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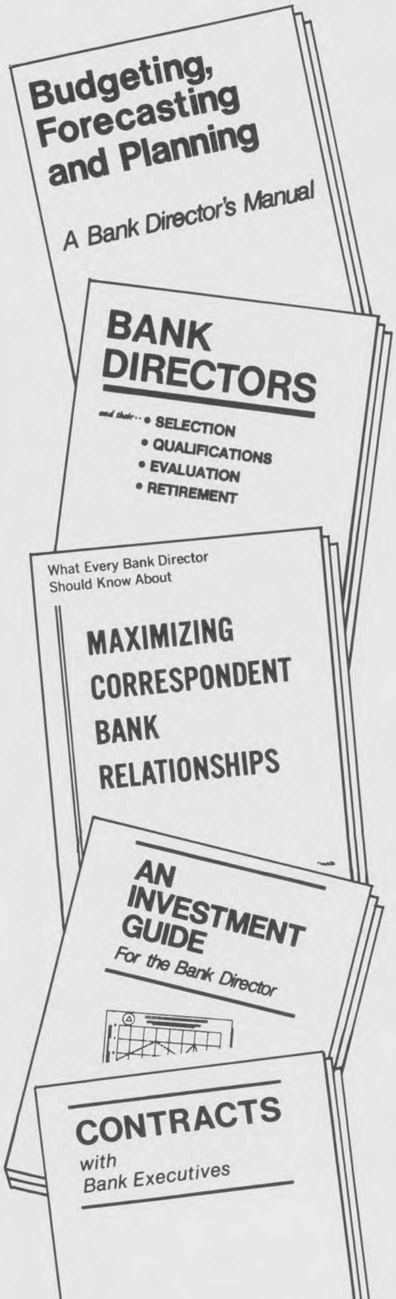

No. 220 — AN INVESTMENT GUIDE For the Bank Director

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

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

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

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

Price — $24.00

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

No. 230 — CONTRACTS WITH BANK EXECUTIVES

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

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

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sometimes results in a refreshing business perspective leading to new profit opportunities.

United Missouri is considering the addition of a new customer service — the nature of which Mrs. Park did not wish revealed as yet — which was suggested by one of the up-scale customers the personal financial planning division works with. The customer came in with a problem that was somewhat beyond the realm of services the bank normally provides, but instead of offering mere sympathy, a banker in the department headed by Mrs. Park took a see-what-she-could-do approach and came up with a solution.

Working with up-scale clients requires that kind of results-oriented concern, said Mrs. Park. Such an approach seems to work, she added, because her department "has more clients than we can handle."

Leader Federal Savings & Loan in Memphis is another institution that has reaped the rewards of an aggressive calling program targeted at corporate and high-balance customers. The thrift identifies prospects through its own files, Dun & Bradstreet records and follow-up on direct-mail responses, according to Art Holtman, vice president/director of retail marketing.

In contacting high-balance prospects, Leader Federal's three-person business-development staff attempts to discover what services the prospect is currently using and what services will be needed. Just letting customers know the range of services Leader Federal offers can help stimulate business, Mr. Holtman claims. Some prospects are surprised to learn that the thrift offers a brokerage service, for example.

Recruiting aggressive sales personnel for the business-development department isn't difficult, but the same can't be said for all segments of the institution, he added. Some people within the association and its branches have responded well to sales training and sales-incentive programs, he said, but for others, adapting to an era requiring a more aggressive sales approach has been traumatic.

"Most of them were not hired in that mode," he said. "A lot of people come to work in an S&L because it's a warm, fuzzy place to work. If they were aggressive salesmen, they probably would be in another position."

Leader Federal is planning to step up its telemarketing efforts and will train or hire aggressive sales people for that program, Mr. Holtman added.

In an effort to stimulate more aggressiveness among its branch bankers, Norwest Corp. this summer initiated a program it's calling "Operation Asset Growth." Bankers are being encouraged to solicit business over the telephone and those who perform successfully are rewarded with "Operation Asset Growth" T-shirts and publicized in a new, system-wide newsletter. The special T-shirts are not something a banker could buy. "You have to earn one," said Ted Novak, a manager in the retail banking division of Norwest's Minneapolis headquarters.

Many people have no concept of the range of things for which it's possible to borrow from a bank, Mr. Novak said. To help correct that shortcoming, Norwest has written "canned" telephone solicitation messages that its bankers can use to promote loan services. The messages, Mr. Novak said, are dignified, friendly and instructive.

"We don't want to come across like aluminum-siding salesmen," he said, "but we do want to call and tell people that we're from Norwest Bank and we have money to lend."

The success stories are just beginning to roll in. Mr. Novak cited the case of the loan-department personnel at the Sioux Falls, S. D., branch who visited the local county courthouse and copied the names of everyone who had borrowed money at a rival institution 18 months earlier to purchase an automobile.

Everyone on the list was contacted and reminded that interest rates had dropped and that it might be time to refinance. The result was a 40% success rate and $150,000 in new loans generated within two weeks, according to Al Hodgson, vice president/commercial-banking manager. Nor are auto loans the only targets at which Norwest's Sioux Falls loan officers have taken aim. Almost any loan financed when interest rates were high is fair game and Norwest is "aggressively pursuing" all leads, said Mr. Hodgson. Norwest has branches in many communities throughout South Dakota, he said, and the potential is "tremendous."

Mr. Novak said that most of Norwest's customers have yet to become aware of the company's more aggressive posture. It will be at least a year before the awareness starts to settle in. Within a few months, however, people will begin to realize that it's unusual to get a call from a banker offering to lend money, he added. ● ●

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EDITORIAL STAFF
Ralph B. Cox — Publisher
Jim Fabian — Editor
Rosemary McKelvey — Senior Editor

Advertising Production Dept.
Marge Bottiaux, Manager
408 Olive St., St. Louis, MO 63102
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Bank Sponsors Program To Encourage Employees To Do Volunteer Work

AN IMPROVED quality of life for the people who live in its community is the goal of a community-involvement program now being sponsored by Union Planters Corp., parent of Union Planters National, Memphis.

Inspired by government cutbacks in social programs, the HC earlier this year put together an internal organization that makes it attractive and easy for employees to do volunteer work in Memphis.

Of course, many employees already were doing such work individually. However, UP wanted to organize all such efforts in a way that recognizes — and rewards — employees and, incidentally, produces community goodwill for the bank.

The UP program is called IMPACT (Individuals Making Progress and Changing Tomorrow). To take part, an employee must devote a portion of his/her time and talent to one or more of the city's many charitable causes and community projects. The employee can volunteer to help the sick, elderly or underprivileged, work on a project involving the arts, sports or education, on a telethon, make a speech or serve on a civic board.

Here's the reward: As an IMPACT member, a UP employee may earn up to five extra vacation days a year. One point is awarded for every volunteer hour worked. An accumulation of 25 points constitutes an extra vacation day. The employee also gets first chance (before other employees) at free passes and tickets to various community events as they are made available to the bank. In addition, special plaques and certificates are given IMPACT members for outstanding achievement, and each year's most outstanding member will receive special recognition at IMPACT's annual awards feast.

In addition, a participating employee may gain special recognition in UP's company publication, *Profile*, and in IMPACT's monthly newsletter.

Taking Part. Any interested employee completes a short application form, and then membership is awarded on completion of one project. The employee may choose from among any of the bank-sponsored or bank-endorsed community projects. Once an employee is accepted, his/her membership is renewed annually on completion of 10 hours of volunteer work during the calendar year.

Among projects available for volunteer work are the Memphis in May Barbecue, Oktoberfest, Adopt-a-School, Cotton Carnival, March of Dimes Walk and Danny Thomas Memphis Golf Classic.

The program was kicked off January 27 with a 5:30 p.m. "Happy Volunteer Hour" at the Racquet Club. Similar hours are held every quarter at various locations throughout Shelby County. Sites could be bank branches, country clubs where Union Planters officers have memberships, etc. There are refreshments, and those attending have a chance to sign up for new projects and to exchange information with one another on what they are doing in volunteer work. These get-togethers also provide opportunities for employees to develop friendships with others outside their own departments or divisions. By the way, attendance at these hours counts one hour toward the required 10 hours for IMPACT membership.

During kickoff speech that introduced Union Planters of Memphis' IMPACT volunteer program for employees, Richard A. Tripper Jr., pres. of bank, holds up special license plate. Employees taking part in IMPACT received these plates for display on their cars.

Information on IMPACT is disseminated primarily through the monthly newsletter, called IMPACT-A-GRAM. This newsletter lets people know about projects approved for the program, results of various drives in which employees participated and information on whom to call if an employee has any questions about the program.

In between publication of the monthly newsletter, if something comes up that needs attention immediately — perhaps an emergency drive of some kind — a project coordinator for the proposal is chosen, and he/she goes over the project and then contacts IMPACT members to see whether they would be interested in working on it.

A weekly flyer update also gives information on any project needing volunteers immediately.

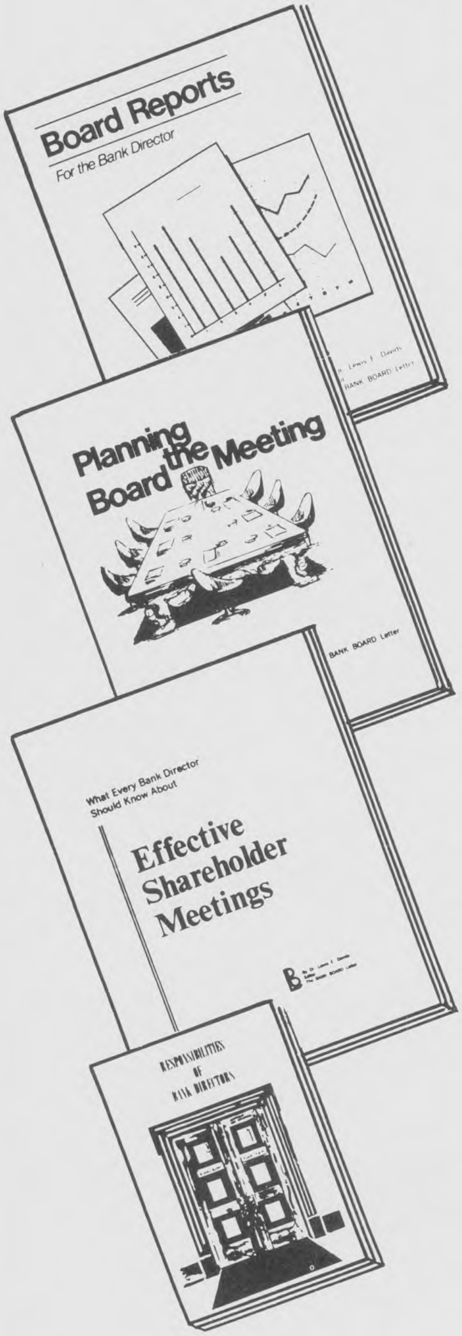
An employee working on his/her first volunteer project receives either a golf shirt or a white oxford cloth shirt (depending on what is appropriate for the type of activity in which the employee is involved). These shirts have the IMPACT logo embroidered on the front, thus identifying their wearers and Union Planters and, as a brochure on IMPACT says, "symbolizing the shared commitment to the betterment of the city and county."

Each IMPACT member also receives a colorful (green and blue letters on a white background) license plate for the front of his/her car. Copy on the plate reads, "Union Planters IM-

(Continued on page BG/18)

Four Fact-Filled Manuals for The Bank Director

Every Director Should Have a Copy of Each One



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

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

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

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

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

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PACT."

How's the program doing? According to Nicky Schrein, assistant vice president/public relations manager, "The employee response to IMPACT has just been phenomenal, and the timing couldn't be better. There are so many groups that are crying for the kind of volunteers Union Planters now will be able to provide."

Ms. Schrein says about five to 10 employees request applications each week, and, as of this writing, 350 had volunteered their services.

Ms. Schrein also points to some specific projects in which IMPACT members have worked.

The first project under IMPACT was carried out February 23. Twenty-eight members worked hard making phone calls and taking pledges for the Memphis Arts Council fund drive. In that one night, IMPACT raised $4,415. According to the newsletter, this was more money than was raised by any other bank participating in the fund drive.

On April 24, 100 volunteers from UP took part in the March of Dimes Walk America. The walk was 17 miles long, and IMPACT volunteers turned in pledges totaling $5,000.

Union Planters has had an Adopt-a-School program for some time, and IMPACT has given it a boost. Although the volunteer program didn't start until the end of January, the school program last fall attracted plenty of UP employees. They knew IMPACT was coming and wanted to work in the school project as their part in IMPACT. Under this program, UP employees work for a Memphis junior high school in fund-raising efforts (uniforms for teams, money for bands), as chairpersons of academic, athletic and music committees.

As part of this school program, on March 25, 40 IMPACT volunteers played in volleyball and basketball games to help raise money for the adopted school. IMPACT volunteers raised $275 for the school.

The program has attracted the atten-

IMPACT Information

Anyone interested in starting a program like IMPACT in his/her bank should contact: Nicky Schrein, assistant vice president/public relations manager, Union Planters Corp., P.O. Box 387, Memphis, TN 38147 (901/523-6736).

Ms. Schrein says she will be happy to discuss the program with bankers in other cities.

tion of Memphis media. UP representatives have appeared on local TV stations to discuss IMPACT, and newspapers also have devoted space to it.

The project is run by an advisory board headed by Richard A. Trippeer Jr., president of the bank, and consisting of five other staff members, including Ms. Schrein. This board evaluates community needs, organizes volunteers for project involvement and oversees IMPACT's day-to-day administration.

Mr. Trippeer says one of the reasons behind formation of IMPACT is that the bank constantly is asked to furnish people for civic and charitable programs. With IMPACT, Union Planters is doing it in organized fashion.

In addition to sponsoring IMPACT, Union Planters continues contributing money to events and causes, as it has done in the past.

As Mr. Trippeer puts it, "Union Planters always has been generous, but now we want to give even more than money. We want to give people, members of IMPACT, whose work can make a difference in the community." **— Rosemary McKelvey, senior editor.**

Akron Bank Targets Everyone During New Marketing Effort

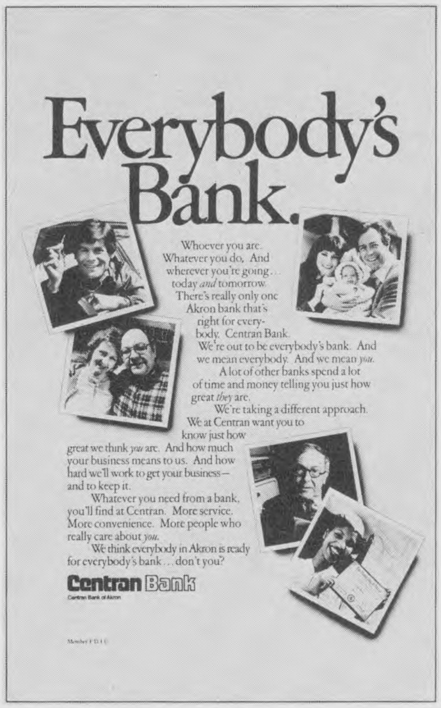
Centran Bank, Akron, is stressing the fact that it is a bank for everybody. The bank initiated a new marketing campaign recently.

Theme of the campaign, "Everybody's Bank," is being emphasized in radio, TV and billboard advertising. The campaign, says CEO Alan G. Brant, is designed to help Centran stand out amid the competition.

"Let's face it, most of the products and services we're able to offer in a tightly controlled and regulated environment are at a parity with what our competitors are able to do or say," Mr. Brant says. "To be successful, it's necessary to stand out from the competition."

Centran is attempting to show the public that it tries to relate to its customers' individual needs. "In short, we try to be just as excited about the young married couple who needs a crucial loan for a new home as we do about the established businessman who wishes to open a $25,000 money-market account," Mr. Brant says.

"The new campaign says simply and clearly that whoever you are, whatever you do, and wherever you are going, Centran Bank is interested in you," notes Ron Campana, president of the advertising agency that developed the new theme for Centran.

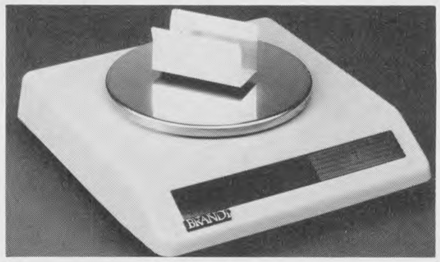


The campaign was unveiled to more than 300 Centran employees at a special breakfast meeting that featured a "live" presentation of the campaign music performed by 16 members of the orchestra, the singers of the jingle and even a spontaneous audience wrap-up.

New Products and Services

• **Harland.** ColorCovers™ is the name of a new series of three-ring check binders with covers featuring a photo-like finish. They're available in four scenes — MillPond™, Mountain Village™, Candy Counter™ and Streamers™. Each cover is protected with a waterproof polyester film laminate that resists stains. For more information, circle 60 on Reader-Response Card.

• **Brandt.** This firm has introduced a new model 879 currency scale, designed to count and/or verify currency in conjunction with any Brandt cash-settlement system. The scale verifies full or half straps, at which time the

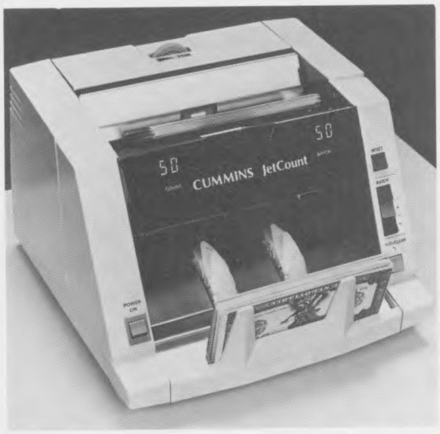


system will indicate whether the straps are correct or in error. The unit also counts currency, acting as a piece counter. For more information, circle 61 on Reader-Response Card.

• **Florida Software Services.** This firm has introduced a new concept in data-collection procedures called Integrated Transaction Management System Extended (ITMS). The system offers bankers a degree of control over float and item flow, making item processing a profit-boosting aspect of daily banking operations. The system uses an electronic courier feature that automatically generates on-line reports from the bank at which the items are processed, minimizing document handling and delays and expenses associated with traditional courier services. Operating on IBM hardware, ITMS permits a bank's non-technical personnel to create and maintain check-sort patterns, end points and statistical reports, on-line and without extensive training. For more information, circle 62 on Reader-Response Card.

• **Littlewood, Shain & Co.** This firm's check-services model is available in a new micro-computer version for use with the IBM PC-XT. The system is designed to stimulate the impact on bank profitability of changes in the check-clearing environment. Banks can use the model to maximize funds availability while minimizing clearing costs and analyzing nearly every aspect of their check product. For more information, circle 63 on Reader-Response Card.

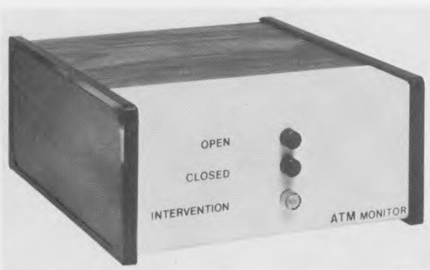
• **Cummins-Allison Corp.** This firm has a new CA-4050 JetCount currency counter that counts up to 1,000 bills per minute. The unit was designed for use in the teller area or branch location. The most commonly used batch



amounts are preprogrammed into the unit, enabling an operator to call them up at any time by pressing the batch key. It features an automatic restart that automatically feeds bills into the machine when the previous count is removed from the stacker. For more information, circle 64 on Reader-Response Card.

• **Diebold.** This firm has introduced the Diebold Teller Assist Software (DTAS) package, which operates as an application program in an IBM 3600/4700 financial controller to support the Diebold TABS® Teller Assist cash dispenser. The package performs an interface function between the cash dispenser and existing teller terminal software and allows the dispenser to be shared by two operators concurrently via separate IBM terminals. For more information, circle 65 on Reader-Response Card.

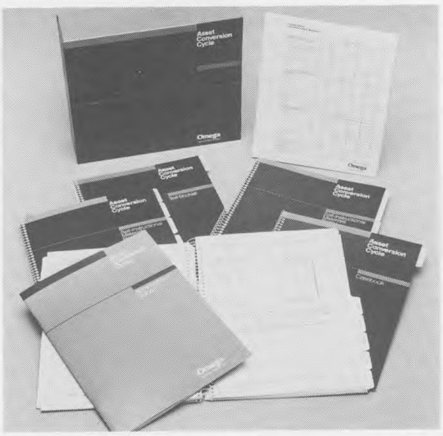
• **Actron, Inc.** A new ATM monitor provides an inexpensive means of checking on the operation of an ATM at a location convenient to the person



responsible for its maintenance. The unit is 2″ high x 4½″ wide x 5¼″ deep. For more information, circle 66 on Reader-Response Card.

• **ATM Network Management Corp.** The SATM Systems Division has re-introduced a subsystem product that enables SATM Systems to provide support for the Diebold Stand-Alone Securomatic After-Hours Depository. Installed next to a Diebold TABS ATM, the depository accepts commercial deposit bags and large deposit envelopes that ordinarily would be too large for a regular ATM deposit drawer. For more information, circle 67 on Reader-Response Card.

• **Omega** has introduced the asset-conversion-cycle workshop, a seven-session training system that teaches cash flow and accounting skills from the commercial lender's perspective. The system focuses on skills lenders need to "see behind the numbers" on borrower-financial statements, according to Omega. It helps them learn how to track cash flow, evaluate financial-statement quality and make better commercial-loan decisions. The workshop is offered in in-bank and public, open-enrollment formats. Banks offering in-bank programs send trainers to workshop-leader training sessions; open-enrollment workshops are offered at selected locations across the nation. For more information, circle 68 on Reader-Response Card.



Workshop participants receive three-volume set of materials.

• **Grandma's Master Fruit Cake.** This product is said to be an ideal gift for financial institutions to give to special customers during the holiday season. The fruit cake recipe was discovered in St. Louis in 1917 by two brothers whose father had brought it from Germany and hidden it away. Cakes con-

tain no citron, peel, prunes, other fillers or heavy spices. Moisture comes from natural juices of fruits and nutmeats and other ingredients. For more information, circle 69 on Reader Response Card.

Bank's Photo-Restoration Service Results in Considerable Good Will

TATTERED photographs of great-grandmother and irreplaceable but yellowing news clippings were restored to like-new quality, not at a photograph studio, but at a bank in Fort Oglethorpe, Ga., during a recent promotion.

The event brought in a "very satisfactory" group of more than 200 customers during its week-long run, according to Kenneth C. Wiggins, administrative officer at Fort Oglethorpe State. Mr. Wiggins calculated that the 200 people who showed up with damaged photographs and other similar priceless heirlooms to be restored represented about a 6% response to a letter the bank enclosed with customers' monthly statements. The letter described the photograph-restoration service and when it would be offered. Customers paid $59.95 for the original restoration work and then received a reprint — normally priced at $19.95 — at no additional charge.

Except for the letter and some "in-house" promotion of the service, there was no cost to the bank, according to Mr. Wiggins. The bank did not sponsor the event to derive income, but primarily for promotional purposes.

Customers had not yet received their restored photographs when Mr. Wiggins was interviewed, but he said that photograph restoration appeared to fill a legitimate need and created considerable good will.

Fort Oglethorpe State invited customers to bring in any type of photograph they wanted restored. Even a torn and faded newspaper clipping could be restored and preserved in any size desired, the bank's letter to its customers stated. The original photograph was returned on the spot so there was no need for concern about damage or loss.

> Why restore old photos and documents?
>
> To preserve family roots. To bring back memories.
>
> These and other reasons are prompting individuals to have old clippings, documents and photos restored professionally.
>
> Land titles, marriage certificates, cracked photos — they all have more historical and sentimental value when restored. They can be framed or mounted and then hung on walls in clusters to create a "museum" for one's home or office.
>
> A professional restorer can do wonders with a battered photo or document, making the item worthy of display — and keeping fond memories alive!

Fort Oglethorpe State has sponsored other promotional events in the past. During one such event, the bank gave away art prints to its customers. This was the first time the bank had ever offered to restore photographs, according to Mr. Wiggins.

Bob Brown & Associates of Chattanooga, Tenn., did the work on the photographs. The company set up shop in the bank's boardroom and didn't intrude on other business operations. "We hardly knew they were there," Mr. Wiggins said.

While it would be difficult to place a dollar figure on the value of the event to the bank, Mr. Wiggins is confident the promotion was beneficial. Whenever customers who took advantage of the service look at their restored heirlooms, it is possible they will recall the fact that the bank made the restoration possible. ● ●

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NEWS
About Banks & Bankers

ILLINOIS

First Chicago to Acquire American National Corp.

First Chicago Corp. has announced plans to acquire American National Corp. from Walter E. Heller International Corp. American National Corp. owns American National Bank, Chicago's fifth-largest commercial bank. First of Chicago owns First National, Chicago's second largest bank.

The acquisition is expected to increase First Chicago's assets by $3 billion, to $38.8 billion.

Plans call for American National to be left intact and to be operated as a separate subsidiary of First Chicago. It will retain its name, staff and marketing thrust.

According to Barry F. Sullivan, chairman, First Chicago, the key interreaction between the two firms will be at the strategic-planning level. He said he sees the combination as emphasizing the separate strengths of the two banks — First Chicago's wholesale domestic and international lending operations, and American National's middlemarket penetration.

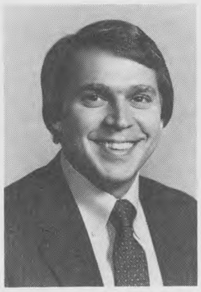
As part of the purchase, First Chicago will acquire two suburban Chicago banks bought by American National Corp. as a result of foreclosures on debts owed by their previous owners.

First Chicago paid $275 million for American National.

David A. Kudo has been promoted to senior vice president/finance-division head at Merchandise National, Chicago. Mr. Kudo joined the bank as vice president-finance in November, 1981, having previously served as controller of W. N. Lane InterFinancial, Inc.

Mary Anne Varland has joined First State Bank, Rockford, as marketing officer. Her duties involve advertising, customer service and marketing.

Sears Bank, Chicago, has appointed Gordon Carlson as vice president of correspondent banking.



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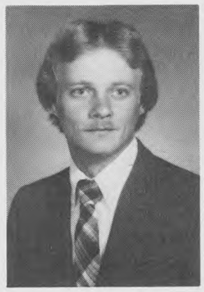

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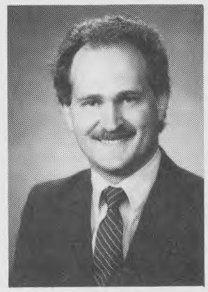

BLOME

Malvin A. Frischkorn, senior vice president/cashier, has retired from Belleville National. He joined the bank in 1949, was named an officer in 1962, vice president/cashier in 1977, and senior vice president/cashier in 1981.

First National, Belleville, has promoted Thomas M. Blome to correspondent banking officer. Previously, he had been consumer credit officer. He joined the bank in 1975. Other promotions include: Owen M. Steinweg to vice president/data processing manager; Eleanor M. Fohl to assistant vice president responsible for IRA/Keogh operations; Connie L. Knauss to assistant vice president/data processing and John Venarsky to consumer credit officer. Recently elected officers include: Kevin Fitzgerald, credit department manager; David Kelahan, assistant manager/credit card department manager; Brad Koeneman, administrative assistant; and James Compton, consumer loan officer.

Continental Bank, Chicago, has elected the following senior vice presidents: John Bleveans, James P. Donohue, Steven G. Elliott, John N. Fix, Kevin Hallagan, R. Lawrence Johnson, John E. Neal, and Drew Waitley. Thomas S. Bagley was elected vice president and Philip C. Adams, W. Thomas Barnett and William P. Waschle were named second vice presidents, all in the U. S. banking services department. In the financial services department, William Read was appointed vice president in capital markets; Richard C. Allen, second vice president in trade finance; and Richard J. Meliska, Catherine A. Schulze and Brenda C. Seliga, second vice presidents in worldwide cash management.

Gary W. Brown has been elected assistant vice president/regional banking at Springfield Marine Bank. Previously he had been an assistant vice president in commercial lending at Streator National.

Harris Bankcorp., Inc., Chicago, has elected Daryl F. Grisham to its board. Mr. Grisham is president/CEO, Parker House Sausage Co., Chicago.

Drovers Bank, Chicago, has elected Thomas P. Carmody and James M. Corkery vice presidents. Mr. Corkery has been with Drovers since 1979 as a credit analyst and later as a commercial lending officer. Mr. Carmody has been a commercial loan officer at both Main Bank of Chicago and Drovers Bank.

INDIANA

Rebecca J. Ravine, assistant vice president, Anthony Wayne Bank, Fort Wayne, was among the winners of the National Association of Bank Women, Inc. (NABW) education foundation scholarship award. The award is given annually to women bankers in each of the association's nine regions. It covers registration, travel, room and board at any NABW education foundation seminar.

Terry J. Sanderson, CIA, auditor, Indiana National, Indianapolis, has been elected central regional director of the Institute of Internal Auditors, Inc.

Lincoln National, Fort Wayne, has

promoted Philip Bonahoom and P. Michael Schaub to assistant vice presidents. Mr. Bonahoom manages the Waynedale office and Mr. Schaub manages two New Haven offices. Kevin W. Greiger has been promoted to trust marketing officer.

David L. Fisher, vice president, Irwin Union, Columbus, has been promoted to senior trust officer. He has management responsibility for the trust division, including operations, investments, tax and business development.

MICHIGAN

National Bank of Detroit has named Darrell L. Schlabach vice president in the eastern regional banking division. Named second vice presidents in other divisions were Gregg D. Watkins, Richard O. McGee and Vincent A. Vatalaro. New assistant vice presidents include John C. Carter, Jack E. Miller Jr., Kathryn M. Ritter, James L. Imbeau, Francelle E. Fulton, Joanne C. Schwartz, Richard L. Hennessy, James D. Priskey, William S. Drawz, Michael C. Kulwicki, James B. Howbert, Claude R. Cornwell, Sandra K. Davis, Patrick P. Skiles, Margaret R. Carroll, Robert C. Kuberek, Harold B. Benson, Robert V. Camp and Barbara T. Rende.

Manufacturers Bank, Detroit, has promoted Keith M. Altenburg, C. Vance Borngesser, Douglas M. Kilbourne, Ronald F. Daum, Anthony J. Polisano and Thomas E. Smith to vice presidents; named Marvin J. Elenbaas second vice president/accounting officer, and Mark W. Gilmer international banking officer; and promoted Pamela Fahlund to marketing officer/ senior research analyst. Wayne W. Kring, senior vice president, retired last month after serving banking for 37 years. He had been officer-in-charge, Michigan banks division, since 1969. His successor is Patrick J. Callahan, who joined the bank as vice president recently.

Michigan National Bank-North Metro, Troy, has elected Alvin Wander to its board. He is senior vice president/ administration and treasurer, Perry Drug Stores.

Timothy M. Peters has been named president/CEO at First of America Bank-Bay Area, Sebewaing. He succeeds A. Edwin Baur, chairman/CEO, and Norman H. Schroeder, president, who have announced their retirements. Mr. Peters joined First of America-Michigan in 1961 and most recently was vice president/manager, Paw Paw Office.

Dearborn Bank expects to complete construction of a major renovation of its main office, commercial lending and branch banking areas within the Village Plaza soon. The renovation's completion coincides with the bank's 30th anniversary.

MINNESOTA

Loren D. Herbst, senior vice president, Norwest Midland, has been elected president of the Minnesota chapter, Robert Morris Associates. Elected vice president was Robert L. Stehlik, president, First Bank Southdale. New secretary/treasurer is Phillip J. Gallivan, senior vice president, F&M Marquette. Elected to the board were John F. Crinklaw, senior vice president, National City Bank, Minneapolis; Dale S. Hanson, executive vice president, First Bank St. Paul; and John C. Roise, senior vice president, Norwest-Mankato.

David E. Colburn, vice president, Continental Illinois National, Chicago, has been given responsibility for the bank's commercial lending in Minnesota and other nearby states, working out of the Minneapolis regional office. He has been with the bank for 24 years.

Raymond D. Konz has joined Adrian State and its insurance agency. His primary duties are as an insurance salesman.

First Bank Minneapolis has elected Gerald A. Kraut and Thomas E. Leary senior vice presidents. Mr. Kraut heads a new capital markets/treasury group and joined the bank in 1973. Mr. Leary is head of the credit-administration department and joined the bank in 1957. Promoted to vice presidents were Franklin L. Brosseau, Grant R. Christenson, Mary Ann Hansen and Mary E. Koessel. Newly promoted to assistant vice presidents were William J. Swanstrom, Karen M. Paris, Jeffrey F. Figgatt, Nancy J. Johnson, Thomas H. Cherry, David G. Guimond, Susan L. Drake, Gary N. Ophaug, JoAnn S. Gelbmann and Linda L. Gross. New to the bank are vice presidents William R. Cook and John D. Gatzlaff. Richard B. Huart, Beth Ann Dinndorf and Jack L. Hauser have joined the bank as assistant vice presidents.

John W. Schwegal has been elected vice president, financial-institutions group, Norwest Corp., Minneapolis. He helps develop strategies and programs for the HC's financial-institution customers, including correspondent banks.

Norwest Corp., Realty Firm To Develop City-Block Area

Norwest Corp. has announced plans to develop an entire city block in downtown Minneapolis in partnership with Oxford Properties, Inc., Denver. The proposed project would include a new building to replace the 54-year-old Northwestern National Bank Building that was severely damaged by fire last Thanksgiving Day.

The block is bounded by 6th and 7th streets, Nicollet Mall and Marquette Avenue.

Although an architectural firm has not yet been selected, construction could begin in the fall of 1984, provided necessary agreements have been negotiated.

Oxford Properties owns the portion of the block once occupied by Donaldsons Department Store. Norwest has control over the portion of the block occupied by the building that housed Norwest Bank Minneapolis prior to the fire.

OHIO

AmeriTrust, Cleveland, has named Stephen E. Kunk, a senior vice president, head of the national division. He joined the bank in 1981 and had been in charge of the regional office in Cincinnati. John S. Christie has been promoted to senior vice president, regional corporate banking division, including Columbus, Cincinnati, Toledo, Chicago and Dallas. He joined the bank in 1979 and had been responsible for the Columbus region of the corporate banking division.

BancOhio National, Columbus, has elected Daniel K. Archer, Robert W. Connell, Ronald L. Manning and Thomas B. Mitchell vice presidents and Philip R. Behner, Gerald S. Falcon and Dennis J. Zuchowski assistant vice presidents.

Huntington National, Columbus, has promoted Diane L. Alexander, Jonathan H. Donaldson, Richard C. France Jr. and W. David Schwamberger to vice presidents and Thomas P. Grabenstatter, Carolyn K. Krieg, Darrell C. Sanner and Lynn A. Stowe to assistant vice presidents.

George S. Brookes has been named executive vice president at Huntington Bank of Northeast Ohio, Cleveland. He formerly was senior vice president and head of the central Ohio commercial-lending division at Huntington National, Columbus. Frank S. Bozick, senior vice president, has succeeded Mr. Brookes.

Central National, Cleveland, has elected David J. Worthington and Leonard M. English vice presidents in the Ohio division and facilities-administration department, respectively. Mr. Worthington joined the bank in 1978; Mr. English in 1977.

Ralph H. Lockwood, executive vice president, Huntington National, Columbus, has been re-elected president, Central Regional Automated Funds Transfer System, based in Columbus. The system serves 400 financial institutions in parts of Ohio and Kentucky.

Banc One Corp., Columbus, has announced plans to buy Yegen Associates, Inc., Paramus, N. J., a consumer-loan production firm with 67 offices in 23 states. The firm specializes in auto, first and second mortgage, home improvement, marine, mobile home, recreational time sharing and aircraft lending, as well as auto leasing.

Timothy R. Fitzwater has been named vice president/senior loan officer, National City Bank, Akron. He formerly was vice president, metropolitan division, National City Bank, Cleveland. He joined the bank in 1969.

WISCONSIN

WBA Staff Changes Made

The Wisconsin Bankers Association has promoted Barbara Croucher to comptroller and Deanna Esser to office manager. Kim Kindschi has joined the staff as associate director.

Ms. Croucher joined the staff in 1975; Ms. Esser in 1968.

Mr. Kindschi is in charge of a formal statewide banking education program and coordinates WBA efforts with educational opportunities being offered nationally by the banking industry.

New Bank Building Opened

American Exchange Bank, Madison, recently held a ribbon-cutting ceremony to open its new West Bank building on Mineral Point Road in Madison. To observe the opening, the bank gave away T-shirts, balloons and other gifts and a prize drawing was held each day for almost two weeks. The 7,000-square-foot building features a cathedral ceiling and represents an investment of $1 million.

John (Jay) Bengtson Jr. has joined Citizens American Bank, Green Bay, as vice president/personal banking, a new position. He formerly was with First Northern Savings & Loan and Kellogg Bank.

Linda L. Bartelt has been promoted to vice president/marketing director, Firstar Corp., Appleton. She has been associated with Firstar Bank Oshkosh and Firstar Bank Appleton.

John C. Cumicek has been named president, Firstar Bank Seymour, succeeding Philip C. Dahlman, who has retired. Mr. Cumicek joined Firstar in 1973 after service as a bank examiner.

Bank Celebrates Anniversary

F&M Bank Menomonee Falls celebrated its 75th anniversary recently by giving hot-air balloon rides, using the bank's parking lot as a landing pad.

Valley Bank, Shawano, has promoted Marion Nemetz to senior vice president/operations, John Syndergaard to vice president/agricultural loans, Monica Vomastic to vice president/finance and Lynette Engel to cashier.

Martha Decker has been named general counsel for Midwestern Banco, Inc. She represents Commonwealth Bank, Milwaukee; Bank of Fond du Lac, Bank of Spooner and Bank of Hayward, all affiliates of Midwestern Banco.

Citizens Bancorp., Green Bay, opened a new corporate office last month. The office, located at 801 E. Walnut Street, is headed by C. Alex Huck, regional senior vice president of the HC. Assisting Mr. Huck is Barry James, a regional vice president for the HC.

The Minneapolis Fed has approved the following applications for formation of one-bank HCs: Peoples Bancshares, Hayward, through acquisition of Peoples National, Hayward, and Citizens Financial Corp., Fort Atkinson, through acquisition of Citizens State, Fort Atkinson.

First, Chicago, Joins Cirrus: Completes National Coverage

First National, Chicago, has joined the Cirrus System, national electronic banking network, as a principal member.

The bank is provided with the franchise to sign up any financial institution within Illinois as a correspondent member of Cirrus.

According to Alex W. "Pete" Hart, chairman of Cirrus and executive vice president, First Interstate Bankcorp., Los Angeles, First of Chicago's participation completes the national coverage Cirrus has been seeking.

Cirrus is owned and operated by the following banks: Manufacturers Hanover, New York City; First Interstate, Los Angeles; Mellon Bank, Pittsburgh; Norwest Corp., Minneapolis; NBD Bancorp, Detroit; Mercantile Texas Corp., Dallas; Wachovia Bank, Winston-Salem, N.C.; Ameritrust/Central Trust, Cleveland/Cincinnati; United Virginia Bank, Richmond; Sun Banks, Orlando, Fla.; BayBanks, Boston; and Trust Company of Georgia, Atlanta.

In other action, G. Henry Mundt III has joined Cirrus as sales manager. He is responsible for expanding the network. He formerly was with Chase Manhattan, New York City, where he was vice president in the indirect financial services group.

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Small Community Bankers Develop Own Affordable Computer System

UPPERMOST in Kim Winchell's mind when he attended a banker's convention last year was investigating alternate computer systems for State Bank, Axtell, Kan., a $10 million institution where he is vice president.

His search was not very promising. A system that would do everything he wanted it to would cost in the neighborhood of $120,000 to $130,000. That price, he says, "was totally unreasonable for our little bank." Nor was he enthralled with the other prospect open to him — going to an outside vendor of computer services.

"We're a small, rural community bank and we've gotten used to doing all of our account processing in-house," he says. "We've never used a service bureau and frankly, we didn't want to start."

But Mr. Winchell had previous micro-computer experience and he was certain there ought to be a way of coming up with an integrated system that would meet the needs of a community bank at a price the bank could afford.

He got together with other community bankers facing the same problem and founded Bankers Own Systems, Inc., an association specializing in the development of data-processing micro-computer hardware and banker-designed software. Headquartered in Wellington, Kan., Bankers Own is currently serving community banks in the central Midwest.

Bankers Own brought John Bissel, a 17-year veteran of bank data processing, on board as president. After an in-depth culling process, North Star's Horizon, a micro-computer marketed primarily to systems integrators like Bankers Own, was selected as the approved hardware. A comprehensive software package designed to meet the needs of a small bank was developed. The list of available programs includes: general ledger, savings, CDs and money market; demand deposit; loans, interest/dividend, withholding tax and asset/liability management.

Mr. Winchell is among three midwestern bankers who have installed complete Bankers Own systems and he professes great satisfaction with the results so far. State Bank purchased the multi-user package that sells for about $36,000. Single-user systems start at $23,000. The price includes all system installations, conversions, maintenance and personnel training.

"I got into this for less than half what I thought I was going to have to pay," Mr. Winchell says, "and it is working just the way we expected it to."

Stan Neff, executive vice president, Citizens State, Utica, Kan., is in the process of converting to the Bankers Own System, and the results so far have been "super," he says. Citizens State has used off-premises computer-service bureaus in the past fairly extensively but was forced to develop an in-house capability when its data-processing supplier closed. Bankers Own system was attractive because of its price and comprehensiveness, Mr. Neff says.

Software updating — to keep programs current with government regulations and other variables — are another bonus of the Bankers Own system, Mr. Winchell says. While he says he hesitates to place limits on the capabilities of the system, he adds that a bank somewhat larger than his own might have more volume than the system can comfortably handle at present. But the system is being improved.

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Experience. Brenner Steed was established in 1976, shortly after the Securities and Exchange Commission did away with fixed brokerage commission rates. We've been the premier discount broker in our market area practically from the beginning, with a strong, steady growth that has made our profit position very comfortable.

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Growth potential. In 1982, Union Planters National Bank of Memphis bought Brenner Steed—the first such acquisition by a bank after the Glass-Stegall Act was successfully challenged. This has given us an unusual depth of capital backing, as well as the necessary insights needed to serve customers of financial institutions. These new capabilities, together with the opening of wide new markets, give us practically unlimited growth opportunity.

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Example: The highpowered discount brokerage giants now offering service systems to financial institutions may match our technology and direct access to markets and exchanges. But, they have little understanding of the traditional high level of personal service your customers expect.

Example: In the all-important areas of marketing, only Brenner Steed offers comprehensive, effective advertising, promotion and training programs to build your service into one that is satisfactory to your customers and a profit center for you.

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Adjustability Is Key to Bank Survival, Say Community Bankers in BAI Survey

SURVIVAL and profitability of community banks depend largely on their ability to adjust swiftly to accelerating regulatory changes, according to a Bank Administration Institute (BAI) analysis of a survey of top executives at the nation's best-performing community banks.

"Handling the pressure exerted on community banks to profitably deploy funds they must purchase at premium rates will be critical in achieving survival," says Richard H. Needham, director of the BAI's Center for High-Performance Banking.

Strategic planning will become increasingly important in the successful operation of community banks. A key element in that planning will be effective asset/liability management, including variable-rate loans, shorter maturities, loan pricing, spread/margin/gap management and liability pricing.

Executives surveyed indicated that strategic planning will become increasingly important in the successful operation of community banks. A key eelement in that planning, say the bankers, will be effective asset/liability management, including variable-rate loans, shorter maturities, loan pricing, spread/margin/gap management and liability pricing.

Control of non-interest expense also is cited as being of increasing importance as interest expense is expected to continue to mount. Improved personnel productivity and more efficient use of technological innovations as they become available will be needed to maintain profitability. On the revenue side, products must be priced carefully to build profits, while remaining competitive in the marketplace.

Mr. Needham notes that bankers feel strongly that "marketing must come of age in the new regulatory environment. Increased competition, coupled with a more knowledgeable and demanding — but less loyal — consumer public, requires community banks to integrate marketing into all areas of management and operations, starting with the strategic plan."

Participating high-performance banks were selected through use of the BAI's "index of bank performance," based on condition and income statements required by the FDIC. Return on assets and return on equity are used as a criteria to determine the top 20% in performance among the 6,500 banks the BAI includes in the asset range of $25 million to $175 million.

According to the survey, high-performance community banks tend to consider certain of the following management strategies to be more important to profitability than others. Strategies included in the survey, plus some added by respondents, were related to profitability in the following order:

- Asset/liability management, specifically variable-rate loans, short maturities, pricing of loans, spread/margin/gap management, investments and pricing of liabilities.
- Cost control, by means of minimum staff, training and development, low turnover and data processing.
- Marketing, specifically customer-service/relations, segmentation, sales/business development and community relations.
- Quality and productivity of employees.
- Non-interest income and pricing.
- Low loan losses.
- High loan demand.
- Large percentage of low-cost funds.
- Training.

Strategic planning will be the management tool most critical to future profitability, the survey revealed. Through planning a bank can position itself to be a manager of change, rather than a victim of the changing environment. Planning is the process by which a bank evaluates its own position and determines how it can best turn market challenges into opportunities. Planning is crucial in selecting the combination of strategies that will be most effective in meeting particular needs and objectives and providing the framework for these strategies.

Asset/liability management becomes more important in terms of expertise and internal agility without the protection of Regulation Q, bankers reported. The balance sheet and the income statement become more interrelated. The higher cost of acquiring funds will exert more pressure on the bank for profitable deployment of funds, without undue exposure to risk. Different areas of asset/liability management were named most often by high-performance bankers as being factors linked to their continued success.

As interest-rate risk becomes more of a concern, flexibility appears to be one of the most desirable characteristics in a bank's asset/liability management. Bankers surveyed favored variable-rate loans and short maturities in loans and investments as a means to maintain this desired flexibility. How each bank choses to achieve this flexibility will depend on its asset/liability mix, interest-rate sensitivity, loan demand, the market rate of interest and its own strategic plan. A computer model can aid most community banks in analyzing its situation and making prudent asset/liability decisions.

As interest expense increases, community bankers must give more attention to the control of non-interest costs. This was named specifically by more bankers than any other element as being critical to continued profitability.

Improving productivity in both human resources and technology will be an effective way to control non-interest expense. The banks surveyed depend more on the management of human resources for improving productivity than on technological innovations.

Since human resources are the second greatest expense a bank incurs and because the success of a community bank depends greatly on its personnel (employees being the fourth highest in factors related to profitability by survey respondents), this is a valid area for

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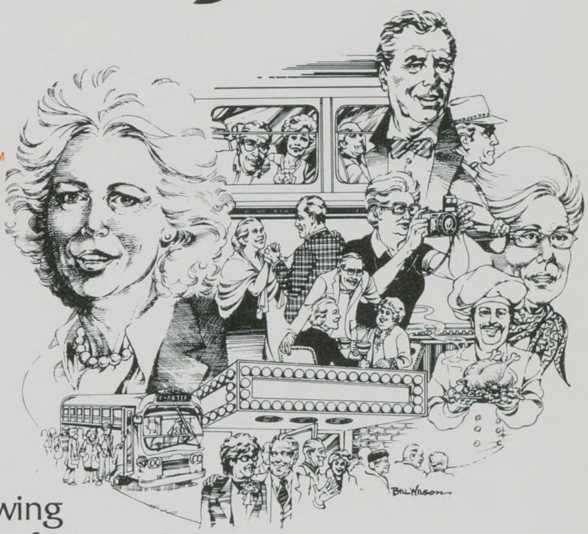

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concentration. Banks must evaluate technological innovation carefully in the future to determine if the initial cost will be offset by long-term productivity and marketing gains.

Bank marketing must come of age in the deregulated environment. High-performance community bankers reflected a somewhat fragmented view of bank marketing in the survey. Areas related to marketing were the third most frequently named elements considered critical to profitability.

Faced with increased competition and a more knowledgeable, demanding and less loyal consumer, community banks must integrate marketing into all areas of management, starting with the strategic plan.

Bankers responding to the BAI survey were asked their views on where their most serious competition would come from during the next five years. Almost two-thirds listed other banks, 42% listed S&Ls, 34% said Sears, 22% listed American Express, 18.5% said credit unions and 13% listed other sources.

Relationship banking, long practiced at least to some degree by community banks, should be developed as an effective way to bind customers to the bank by multiple services. By the high performers' own self-evaluation, customer service and customer relations are areas in which community banks excel. These are strengths that can become powerful factors in expanding and cementing customer relationships.

Segmentation is another valid marketing approach for community banks. Almost half the banks surveyed segment their markets. This means matching the most profitable segments in the market to the things the bank does best for the most effective and profitable marketing approach.

More knowledgeable customers force banks to have more knowledgeable employees. Almost half the banks surveyed have formal training programs in operations and different aspects of marketing. A well-trained staff will contribute to the success of relationship banking and also to total productivity, bankers reported.

As interest margins shrink, community banks will, out of necessity, look more to fees from services as a source of income. Bankers surveyed exhibited a strong awareness of this need. The list of ways they plan to generate new fee income is interminable.

If regulatory limitations are removed with regard to the types of services a bank can offer, the potential for fee income will be broadened. More than half the bankers surveyed indicated they expect to offer brokerage, insurance or money-market mutual funds, should restrictions be removed. The community bank must use caution in its effort to generate fee income from new, unfamiliar services. It could lose effectiveness by trying to be all things to all people and departing from the services it knows best.

With the advent of deregulation, the era of free services has passed. The successful bank of the future will price explicitly and for profit, evaluating these prices on a regular basis. Most of the banks surveyed have repriced the services most utilized within the past two years. Several indicate plans to review prices on an annual basis.

It's evident that the solution to community-bank profitability isn't simple, Mr. Needham says. However, the BAI study concludes that in order to survive and continue profitability without the protection of Regulation Q, community banks must place strong emphasis on strategic planning, flexibility in asset/liability management and cost control.

Through strategic planning the bank analyzes its own situation and determines what combination of strategies will work best for it at a particular time. Through flexibility in asset/liability management, the bank is able to adjust to volatile interest rates and minimize interest-rate risk. By controlling non-interest expenses with increased productivity of human resources and technology, the bank compensates for shrinking margins brought about by deregulation.

These strategies will enable the community bank of the future to adapt to the changing environment, Mr. Needham says. An anonymous quotation, sometimes attributed to Charles Darwin, says: "The species that survives is not necessarily the largest, the strongest, or the most intelligent. The species that survives is the one that is most adaptable to change." • •

Visa Commits $3.8 Million To Speed POS Expansion

The Visa USA board of directors has authorized spending up to $3.8 million to expand telecommunications support of point-of-sale terminals, test second-generation new dial terminals as well as a Visa proprietary audio-response terminal and establish a service capability to install and service point-of-sale terminals.

"These developments are part of a Visa payments-system strategy to give our members the means to electronically authorize every individual transaction made with a Visa payment device," said D. W. Hock, CEO, Visa USA and president, Visa International.

Currently, Visa members have installed some 35,000 dial terminals worldwide. Another 8,000 are expected by year-end. "Our objective is to electronically verify 80% of all Visa payment-system transactions in the U.S. by 1985," Mr. Hock said.

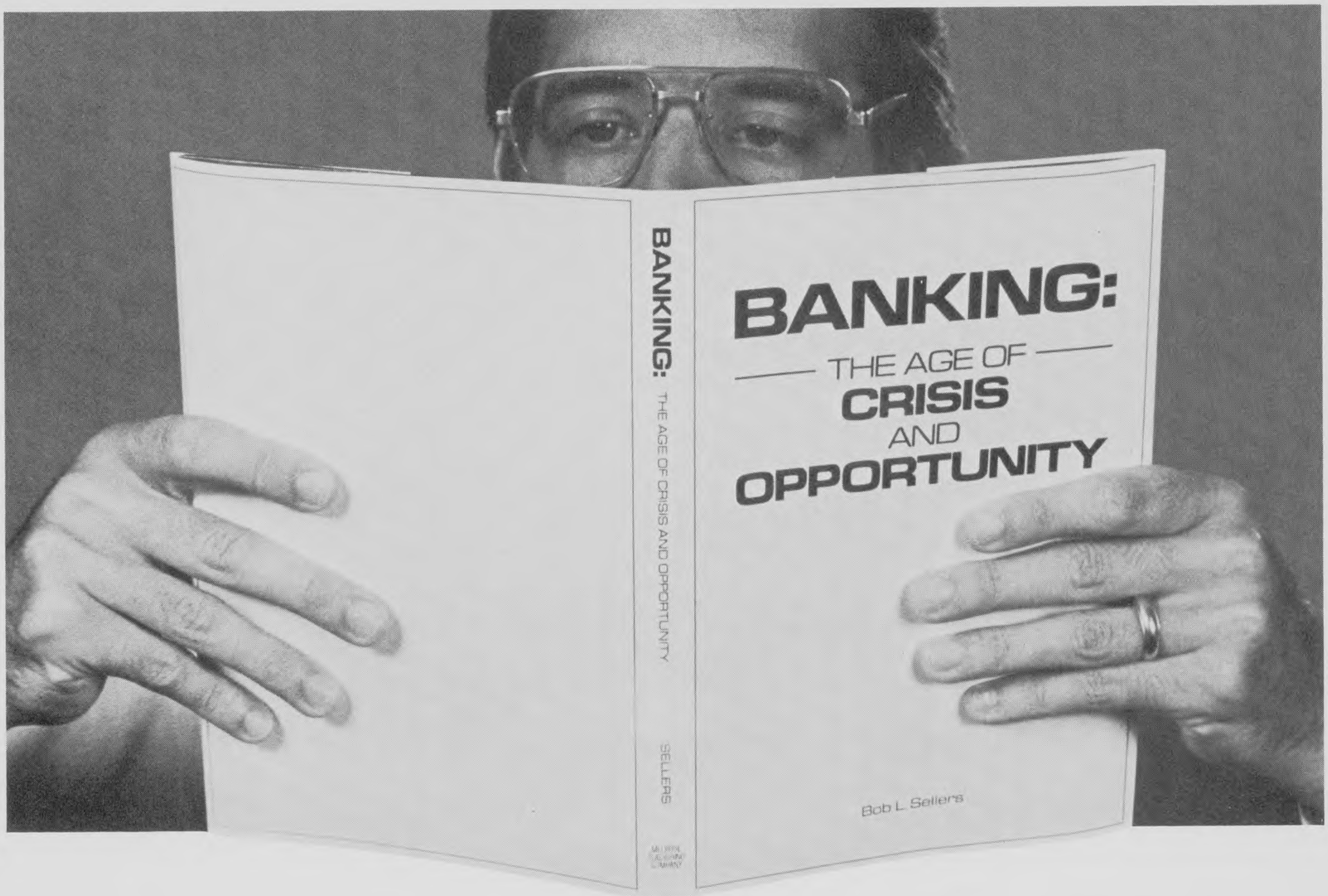
Visa will develop telecommunications facilities serving both dial and leased-line terminals to enable merchants in at least 50 major metropolitan areas to get authorizations via local telephone lines.

Through a contract with a national terminal-service vendor, Visa also will structure and test a program for the installation and maintenance of point-of-sale terminals. With this option, member banks can relegate the installation and service of terminals at their merchants to an organization under contract to Visa. The operation will be managed from a Visa service center in San Mateo, Calif.

The tests will be fully compatible with Visa's previously announced programs to test its new Electron card through a pilot point-of-sale program in the fourth quarter.

The expanded telecommunications, new terminals and national terminal service facility comprise the first phase of a three-phased Visa merchant electronic delivery system expected to be completed in 1985.

• McGraw-Hill has published *Foreign Exchange and Money Markets*, an expanded version of the firm's earlier *Foreign Exchange Markets*, by Heinz Riehl and Rita M. Rodriguez. Subject matter ranges from selecting the most economic currency for borrowing and investing to operating under exchange controls to managing liquidity and liability positions.



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Study Says Competition, Not Need, Affects Community Bank Liability Pricing

INDEPENDENT community banks are reacting more to competitive pressures than to their own funding needs in pricing liabilities in today's market, a survey has revealed.

The survey involved members of the Financial Services Roundtable (FSR) in Texas, Oklahoma and Illinois. FSR membership is made up of community banks that generally do not have access to cooperative data on industry trends, such as is available to members of larger bank holding companies. FSR is intended to be a clearing house for data that will help those banks compete in the increasingly competitive banking environment.

J. Keith Hughey & Co., Houston-based specialists in financial management, coordinates the transfer of information within FSR and serves as manager of its activities.

Mr. Hughey said that indication was reflected later in the survey when members were asked to rank 12 topics in order of their importance to banks in 1983. The clear winner was asset/liability management. Using a weighted scale such as is commonly used in sports balloting, A/L management accumulated 313 total points out of a possible 360, with about 43% of the respondents listing it as the most important.

Credit quality, expense control, loan pricing, customer profitability and non-interest-income development all scored between 215 and 250 points. Management information/decision support systems, strategic planning, capital planning/capital adequacy, data processing, liquidity and marketing each scored between 110 and 180 points.

Some banks are taking highly aggressive and sometimes questionable postures in courting money-market funds. As banking practices return to normal, bankers are expected to once again consider their yield curves when establishing rates.

"The primary thrust of FSR is to help members compete in a deregulated banking climate," Keith Hughey said. "Ultimately, we expect that the sharing of information between members will be helpful in everything from acquisition of data-processing systems and services to the evaluation of merger proposals."

In the 11-part survey to compose community bank profile/liability pricing, fully half the members indicated that local competition weighed heavily in their decisions as to the interest rates they pay on new money-market accounts. Weekly T-bill auctions were used by 46.66% as a major determining factor. Members were allowed to list more than one factor, since multiple considerations often play a role in rate setting.

"Interestingly enough," Mr. Hughey said, "only about 7% indicated that prime was a consideration. As banks have become more comfortable with the new instruments, I believe we will see yield curves weighing heavily as a factor in setting interest rates on money-market accounts."

As a check against members' balance between asset pricing and liability pricing, the survey asked respondents to list their prime rate for three significant weeks: The week when money-market accounts were introduced (December 14-20); the week when super NOW accounts were introduced (January 5-11) and two months later.

In December, "prime rates" quoted ranged from a low of 11.50 to a high of 15.25. In January, the high had dropped 50 basis points to 14.75. In the first week in March, the low had dropped a full 100 basis points to 10.50, while the high had made a minor upward adjustment to 15.

Throughout the period, however, the trend was downward, as indicated by the average prime rates among all banks surveyed. In the third week of December, it was 12.38. In early January, it dropped to 12.21 and by early March, the average was down to 11.47.

"While FSR banks clearly were strongly influenced by national market rates, they showed a willingness to depart from those guidelines in order to address local competition," Mr. Hughey said. "There was less willingness to depart from national rates on the liability side, however. We also were surprised to discover that the majority of FSR members closely tracked national rates on jumbo CDs, even though they frequently departed from national rates in other areas.

"We can conclude that competition is stiffer on the rates banks charge for loans than on what they pay for deposits. That would tend to confirm our observation that competition shifted more toward the commercial area among all banks during the recent economic downturn," Mr. Hughey said.

The survey also measured the impact money-market accounts can have on community banks. By the first week in March, money-market checking accounts, as a percentage of total deposits, ranged from a low of 2/100ths of 1% to a high of 21% — all in only two months.

The savings version was even more popular, ranging from a low of 1.17% of total deposits to a high of 24%.

"Fortunately, the two highs did not come out of the same bank," Mr. Hughey noted. "However, two banks did report that within a 75-day period, over 32% of one bank's total deposits suddenly had become rate sensitive. To a large extent, penetration of these new accounts correlated to the level of interest rate offered and the education and business acumen of the customer base each bank served.

"We found that virtually all banks in the survey experienced some deposit growth during the period from late December to early March. On average, growth ranged anywhere from about $2.5 million up to almost $14 million, largely attributable to new accounts.

"As a percentage of deposits, that would represent from 2% to more than 11%, all in a two-and-a-half-month period," Mr. Hughey said.

He pointed out that some contradiction in results did occur. For instance, banks rated asset/liability management as the single most important subject to them during the current year. Yet, less than 10% indicated it was fundamental to setting the yield curve of their jumbo CDs.

"They don't look at their own asset and liability sensitivity in terms of what CD maturities are in their best

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interest to acquire for the coming period. If you are very asset sensitive in the 0-60-day period, it would be wise to price short-term jumbo CDs a little higher than anyone else. That would attract more short-term deposits, thereby reducing the sensitivity mismatch."

Mr. Hughey said the problem with mirroring an upstream correspondent is that you are assuming his sensitivities duplicate yours. Those banks, he said, probably have set their yield curves to match their sensitivity, so it is mostly luck if the rate curve is appropriate to the bank's circumstances, given the disparity between large and small banks in balance-sheet composition.

The same is true of basing rates on local competition. That works well only when the two banks' sensitivities are identical. In most cases, they aren't, Mr. Hughey said.

"Much of the increased emphasis on watching what the other guy is doing is to be expected during the early days of money-market certificates. Some banks are taking highly aggressive and sometimes questionable postures in courting such deposits. As banking practices return to normal, we expect members to once again consider their yield curves when establishing rates," Mr. Hughey said. • •

Marketing Topics to Be Featured At BMA Convention in Atlanta

THE BANKING industry's challenge from nonbank competition as well as marketing's orientation toward bottom-line performance are areas to be highlighted at the Bank Marketing Association's 68th annual convention to be held October 23-26 at the Atlanta Hilton.

An estimated 2,000 bank-marketing professionals from around the world are expected to convene in Atlanta for the four-day conclave.

Keynoting the conference will be Archie J. McGill Jr., former president of AT&T's advanced information systems division, who recently joined Rothschild Ventures, Inc., a venture-capital subsidiary of the Wall Street investment banking firm, Rothschild, Inc., as president/CEO.

Other convention speakers include R. A. McKinnon, vice president-marketing, Delta Air Lines, Atlanta; John Naisbitt, author of the best-selling book *Megatrends;* and Miles A. Nelson, director of marketing information/communication, 3M Co., Minneapolis.

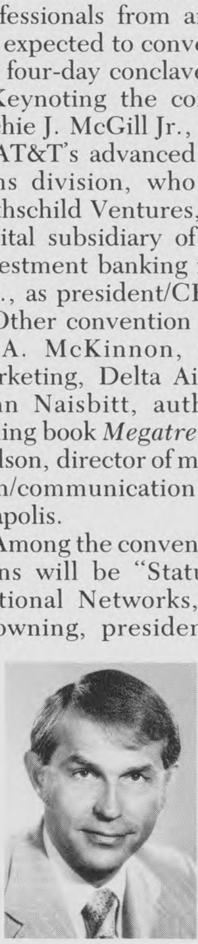
Among the convention panel discussions will be "Status Report: ATM National Networks," with D. Dale Browning, president, Plus System, Denver; Bruce A. Burchfield, president, Cirrus System, Oakbrook, Ill.; George J. Fesus, executive vice president, MasterCard International, New York; and John O. Smith, director, ATM Network, Visa USA, San Francisco.

Also planned for the convention are two special panels — one composed of presidents of Federal Reserve banks discussing economic, regulatory and pricing issues, and a second of prominent bank-stock analysts who will view the outlook for bank profitability.

Members of the Fed panel include William F. Ford, president, Atlanta Fed; E. Gerald Corrigan, president, Minneapolis Fed; and Anthony M. Solomon, New York Fed.

Convention sessions are scheduled on numerous phases of bank marketing, including product development, pricing, sales development/management, positioning and distribution. Workshop sessions are designed to provide the new practitioner or experienced bank professional with an opportunity to profit from the experience of others, to be better informed on current issues facing bank marketers and to become familiar with the process involved in developing profitable financial services.

This year's convention theme is "Managing for Profitability: The Marketing Challenge." According to Robert Perdue, convention chairman and vice president, South Carolina National, Columbia, the theme was chosen to acknowledge the marketer's increasing responsibility within the management team. Other subjects to be addressed include product-portfolio analysis, matching liabilities to assets and discount brokerage. • •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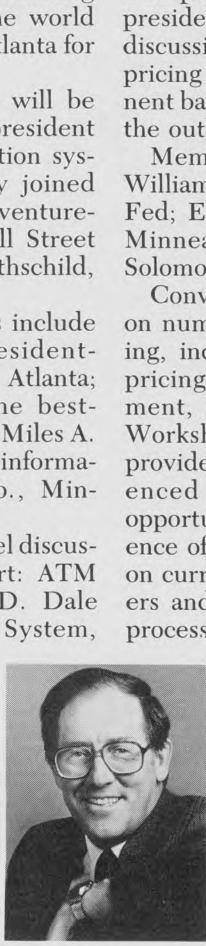
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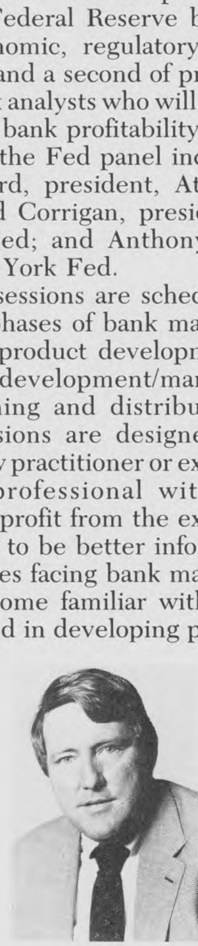
CORRIGAN

Loan Workout

(Continued from page 24)

tions of the company's cash flows to determine if it has sufficient cash flow over the short term for absolute needs like payroll and insurance.

- Determining if the company will be cash positive or negative in the near term and what the cash-flow opportunities are to cover any anticipated shortfalls.

"After this analysis, the workout specialist's first goal is to develop strategies to stabilize the company's operations. At this point, a more thorough analysis usually is needed to assess existing management, determine strengths and weaknesses of the company and industry over a longer-term basis, encourage management to either do or review its long-term business plan and decide if the bank is dealing with a viable business enterprise. The answer to the viability question has a major impact on whether or not the credit becomes a workout or if it is liquidated."

The workout specialist may then turn into an operations consultant, say Messrs. Johnson and Marks, especially if the specialist has limited technical expertise in a given industry. A skilled operating consultant can recommend additions and modifications to turnaround plans which can help transform "impossible dreams" into potential winners.

"The seriousness of the non-performing loan epidemic," say Messrs. Johnson and Marks, "would seem to justify even the most radical measures. Yet, it is hardly radical to suggest that lenders, first, begin to review non-performing loans and borrowers from both financial and operating perspectives and, second, develop an aggressive policy of helping non-performing borrowers assess their situations objectively in developing sound turnaround programs of acceptable potential." • •

Community Bank's Investment Counselor Assists Up-Scale Missouri Retirees

KNOWLEDGE of investments, flexibility and an ability to empathize with people were among the requirements for a newly created position of investment counselor in an up-scale customer program — targeted at retirees — established by Centerre Bank, Branson, Mo., this year.

Sue Call, the person selected to fill that position, considers herself a conduit for investment information that Centerre's customers can tap at any time.

Retirees comprise over half of the local population in Branson, and Centerre has long considered them to be its primary target market segment, according to Smith W. Brookhart III, president/CEO. But Centerre has also become aware that in today's more competitive arena, banks are not going to provide all the investment opportunities people have available to them, Mr. Brookhart says.

"Last fall we decided that if we can't count on our up-scale customers keeping their money in CDs, we've got to be in the position to become a conduit through which they place those other investments," Mr. Brookhart explains.

Whether the customer wants to invest in T-bills, stocks, gold, Arabian horses — whatever, Centerre Branson intends to be available to provide information and assist the transaction — for a fee, of course, he says.

Since many Branson residents have retired from jobs they held in larger communities, they are more knowledgeable about investments than most small-community residents, Mrs. Call postulates. Yet she occasionally is amazed by how little some of her clients know. NOW accounts — as much as they have been advertised — are entirely foreign to a few, she says.

Mrs. Call is no high-pressure saleswoman. Her job is to be an adviser and confidante. "We want her to build a trust and confidence so that her customers feel comfortable coming to her and asking, 'Sue, where do you think I should put my money for the next 30 days, 30 months?' or whatever they say," Mr. Brookhart says.

Centerre Branson is planning to start its own brokerage service shortly, but Mr. Brookhart stressed that the bank would not be advising customers which stocks to buy. Rather, Mrs. Call attempts to give the customer a range of choices that make sense and then completes transactions specified by the customer, he says.

Sue Call, investment counselor at Centerre Bank, Branson, Mo., considers herself a conduit for investment information that bank customers can tap at any time.

Since starting out with Centerre Branson 14 years ago, Mrs. Call has demonstrated an ability to work well with people. She moved up through the ranks to become a teller supervisor and later an assistant cashier. In the latter position, her duties included tracking the bank's cash position and, in that capacity, she picked up quite a bit of investment knowledge.

When she was selected for the investment-counselor post, Mrs. Call was sent to Centerre's holding company in St. Louis where she had an opportunity to work alongside executives in the investment-banking division. There, she learned of investments that she had not previously encountered while in Branson.

She also attended the Whittle, Raddon, Motley & Hanks school for deposit counselors in Chicago. Many of the students attending classes with her, she discovered, were in a similar situation — working for a bank that was just starting an up-scale customer investment-counseling program.

When she returned to Branson, Mrs. Call was asked to appear before the board and officers to explain what her new job entailed and what types of customers should be referred to her for advice. Centerre also ran a newspaper advertisement for the new investment-counseling service that featured Mrs. Call's photograph, and radio spots were made using her voice, according to Mrs. Louola Hicks, Mrs. Call's supervisor. A "first-class" envelope stuffer announcing Mrs. Call's counseling service also was used, according to Mrs. Hicks, a vice president in the marketing and new-accounts department.

Mrs. Call has been out of the training phase of the program and actively serving full time as an investment counselor for only a few months, Mrs. Hicks says, and it is still too early to assess what effect Mrs. Call's efforts have had on deposits or transaction fees. Centerre is monitoring the program, however, and the results so far look promising. Already, Centerre management is considering the addition of a second person to assist Mrs. Call in the event she gets so busy she can't handle the workload. Other investment counselors will be added as needed.

Clients with estate-planning problems are referred to trust officers from the St. Louis holding company who are "far better equipped" to handle problems of that nature, says Mrs. Call. She schedules appointments with trust officers from St. Louis who visit Branson on a regular basis. Again, her role is that of passive information conduit rather than an active advocate of one investment path versus another.

Whether the subject is T-bills or gold, Mrs. Call says she feels comfortable passing along the information the client can use to make intelligent investment decisions. Gold, in fact, is a popular investment choice with retirees she advises, she says. They tend to be conservative by nature and gold appeals to their need for security. Of course, there have been predictions that gold prices are poised for a strong recovery after a prolonged decline, she adds.

In addition to the more knowledgeable clients Mrs. Call serves, there are others who need basic assistance, including "some widows whose husbands were very definitely the head of the family," she says. "Some of them need help balancing their checkbooks."

Dealing with such customers in an unpatronizing manner requires patience and understanding, says Mrs.

Call.

Most of her clients still are in good health and their minds are sharp. A few, she is convinced, will never be persuaded to transfer funds out of their passbook accounts into investments with higher returns or superior tax advantages.

"They've had their passbook accounts for years and they feel comfortable with them," she says.

Mrs. Call says she doesn't feel it's her job to pressure clients into making investment decisions even if they might ultimately be better off financially as a result. Like a good tour guide, she lists the range of possibilities and relative advantages and disadvantages of each.

The final decision, she says, is still the customer's. — **John L. Cleveland, assistant to the publisher.**

FmHA/ABA Task Force Formed to Streamline Farm-Lending Operation

A special task force to work on streamlining the Farmers Home Administration (FmHA) guaranteed farm-loan program has been formed, involving representatives from the FmHA and the agricultural bankers division of the ABA.

Robert W. Ranger, senior vice president, Oneida National, Utica, N. Y., heads a team of five bankers who are meeting with FmHA representatives to develop plans to accelerate FmHA guaranteed farm-loan programs by creating an FmHA certified-lenders program.

"The goal is to permit greater private participation in FmHA lending and to speed loan service to farmers," says W. D. Willer, chairman, ABA agricultural bankers executive committee. "We believe an FmHA certified-lenders program will reduce the red tape and processing time for a guaranteed loan and encourage banks to participate to a greater degree." Mr. Willer is executive vice president, Decorah (Ia.) State.

The idea for an FmHA certified-lenders program was broached early last year and a special ABA task force suggested that a certified-lenders program be based on good bank performance and that minimum volume requirements be avoided.

Through a series of meetings with FmHA representatives, the ABA recommended to Agriculture Secretary John R. Block that a certified-lenders program be established that would qualify banks to handle any FmHA-guaranteed farm loan referred to them.

Certified lenders, or banking officials within those banks, would be knowledgeable and current on FmHA lending practices and policies so loans would be processed promptly and efficiently.

"This program will be a benefit to all participants — farmers, the FmHA and bankers," says Mr. Willer. "It has the potential for opening more lending for banks that qualify as certified lenders as well as the potential for reducing the demand for direct government loans.

"The program also could be of benefit to the Administration by increasing emphasis on placing FmHA's loan functions into private lending institutions and would improve the responsiveness of FmHA and banks in meeting the needs of farm customers," he said.

In addition to Mr. Ranger, the ABA team of bankers includes Fred W. Boren, vice president/agricultural representative, National Bank, Pittsburg, Kan.; James R. Eatherly, chairman/president, First National, Tonkawa, Okla.; Stanley A. Herren, vice president, Deposit Guaranty National, Jackson, Miss.; and John O'Byrne, president, Cresco (Ia.) Union Savings Bank. Mr. Eatherly is a former chairman of the ABA agricultural bankers division.

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Serving the New Consumer: A Marketing/Communications Perspective

By Leonard L. Berry, Professor of Marketing, Texas A&M University, College Station, Tex.

THERE ARE three increasingly important consumer orientations in America of particular interest to banks:

- The "get-my-money's-worth" consumer.
- The "time-buying" consumer.
- The "I-am-an-individual" consumer.

Many of your bank's best customers have all three orientations. Virtually all of them have at least one. Each customer orientation requires an aggressive marketing and communications response.

'Get My Money's Worth'

One outcome of the U. S.'s unstable, uncertain economic experiences of the last 10 years — double-digit inflation yesterday, double-digit unemployment today — is that millions of American consumers have become "get-my-money's-worth" consumers.

These consumers are *value conscious;* they are *shoppers;* they think in terms of *total use cost* ("What will this goods or service cost me over the total period I shall be making use of it?"), not just initial-acquisition cost.

These are consumers who are buying Honda cars and Sony TV sets, who are patronizing discount and off-price retailers, who are buying generic groceries, self-service gasoline, self-assembly furniture and discount-brokerage services.

The key to understanding the "get-my-money's-worth" consumer is to recognize that this consumer seeks the *best value for the price paid,* which does *not* necessarily mean buying the least expensive goods or services available. As Florence Skelly of Yankelovich, Skelly & White put it in a recent speech: "Value is 'what I get, for what I pay.'" Hence, a "get-my-money's-worth" consumer may buy unbranded facial tissues that cost less than branded ones and yet are *not* perceived to be different materially in quality *and* buy a premium-priced Maytag dishwasher because of its reputation for quality.

The central challenge posed to banks by the "get-my-money's-worth" consumer is that being a transaction/savings institution no longer is enough.

"Get-my-money's-worth" consumers have learned to consider "tangibles" — land, homes, collectibles — as an alternative or adjunct to financial instruments and have learned to "go for yield" when they do buy financial instruments. "Get-my-money's-worth" consumers want to get more *from* their money when they hold it, not just more *for* their money when they spend it.

Millions of "get-my-money's-worth" consumers today are *investors,* not savers! Banks will play a primary role in their investment lives only to the extent that banks become investors' banks, shifting to a mind-set of "helping consumers preserve or improve their financial strength." Bank-marketing and corporate-communications professionals must play a leadership role in facilitating this shift to an investor's bank, in making it happen.

The key to being an investor's bank is viewing consumer-liabilities marketing in terms of marketing *"custom-investment portfolios"* that provide varying parts of *liquidity, convenience, return, tax sheltering* and *safety,* depending on the specific requirements and preferences of the individual consumer-investor. Some consumers will buy "portfolios" stressing safety; others, portfolios emphasizing tax sheltering or maximum-return potential.

Whereas the transaction/savings bank focuses on marketing specific deposit services — individual retirement accounts, super NOWs — the investor's bank sits down with the consumer investor and custom packages a portfolio of instruments from its line of cash-management, risk-free, risk-incurring, tax-sheltering, trust and securities instruments.

This leads to a second key element in being an investor's bank. Many "get-my-money's-worth" consumers need help managing their financial affairs. They need someone to help them put into motion a cohesive, intelligent financial program, someone to explain, to demystify, to present the pros and cons of alternative causes of action, someone to help, to turn to.

Successfully providing financial planning/management services will *not* be an easy goal for banks to achieve. In most banks, staff expertise and systems needed for this type of service are *not* yet well developed. Nor are most banks properly organized. The trust department is one business; the retail bank is another, and there is a wall between the two. Turf problems tend to be formidable.

Nevertheless, the potential of earning additional fee income and marketing a *needed* core service around which a client relationship can be built provides considerable incentive to banks for solving these problems and moving in the direction of helping consumers handle their financial affairs better.

A principal way banks will be successful in offering these services, in my view, will be to merge the retail-trust and retail-banking organizations and package financial planning, trust and other services in broad menus from which clients select those services desired and pay only for those selected.

> It's important to understand the changing consumer, Dr. Berry says. "The fabric of banking in America is changing radically. This is a truly turbulent time for banking, a time when banking and other industries join to form a much broader, highly competitive financial-services industry. This is a time when everyone gets into everyone else's business. Old bank marketing and old bank public relations no longer are enough!"

This article is taken from remarks made by Dr. Berry at a recent conference sponsored by the Bank Marketing Association.

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Many of the services would be fee based.

These packages would be administered by generalist personal bankers using micro-computer software that eliminates much of the labor intensiveness of financial planning. Generalist bankers would be backed up by a team of tax/investment specialists on call.

The principal market target for these services would *not* be wealthy people whose complex financial-planning needs might outstrip computer software, but, rather, various middle-market segments; e.g., dual-career households, young professionals, middle-aged affluents, the pre-retirement segment.

In effect, personal bankers would bring directly to their clients all the resources and services of the bank. Instead of having to deal with different bank units for their different wants, clients would work through their personal bankers for such services as an initial comprehensive financial plan, annual financial "checkups," tax-preparation services, loans and an investment portfolio of deposit/non-deposit instruments. The personal banker would be the one dealing with other units in the bank or, as needed, with subcontractors.

A third element in being an investor's bank is provision of financial information and education to consumers in ways that go beyond personal, one-to-one delivery. Consumers tend to distinguish between financial counseling on the one hand and financial information and education on the other. Whereas financial counseling requires more personal means of delivery, financial information and education can be conveyed through a variety of sources, including the media.

One of these days, bankers are going to realize that consumer education is a great marketing tool! In an industry characterized by considerable sameness among competitors, *consumer-education programming* is a way for a bank to *differentiate;* it's a way to enhance a bank's image as a knowledgeable source of financial information; it's a way to demonstrate concern for the well-being of the community and its residents in a manner that reinforces the investor's bank-positioning strategy.

Consumer education should be a *priority* activity in a bank's corporate-communications program. Advertising campaigns designed expressly to inform and educate; educationally oriented pamphlets available in banking offices; a bank-sponsored newsletter or magazine on consumer/financial subjects; a telephone-based system that allows consumers to listen to tapes on various financial topics; customer-accessed terminals in the banking office that provide information on banking services; micro-computer software — financial tutorials/simulations — that consumers can work through on their Apples, TRS-80s and IBMs. All these efforts would be of greater value to the "get-my-money's-worth" consumer *and* do more for a bank's image as an investor's bank than much of the service-specific, sales-oriented advertising that banks run regularly.

Traditional cornerstones of consumer banking — storing, transferring and lending funds — are insufficient today for the bank *and* consumer. Many "get-my-money's-worth" consumers are investors, and many near-bank competitors are investment houses! The only way for banks to compete is to become investment houses, too — through marketing of customer-investment portfolios, through personal financial-planning services, through consumer-education programming.

'Time-Buying' Consumer

Another significant consumer orientation is the "time-buying" consumer. These consumers have insufficient time to do all the things they need and want to do.

In America, there's a growing sense that there simply is not enough time; there is a growing perception of time scarcity, of a "poverty of time." Time is a fixed resource; it is finite. There are 24 hours in a day, and if consumers want to spend more time on certain activities, a new career, more time with children or grandchildren, they must spend less time on other activities.

The poverty of time is resulting in more consumer behavior designed to preserve it. Consumers with meal-preparation responsibilities are using microwave ovens, food processors and frozen foods. Evidence of time-saving consumer behaviour also shows up in the explosive growth in catalog retailing, in use of automatic teller machines, in births of personal errand services in some big cities.

A priority in banking today is development of *"everywhere"* banks that preserve the time of time-buying consumers rather than waste it. An anywhere bank is available *where* and *when* the consumer wants to be served. It not only is easy to get to; it also is easy to get through.

There are several key differences between an everywhere bank and a conventional branching bank. One difference is the everywhere bank does a better job aligning service-delivery costs with specific customer requirements of the moment. Various facilities ranging in elaborateness, size and cost are available, depending on whether the consumer requires routine service and is interested in speed, timeliness and reliability, or requires *non-routine* services and is interested in privacy, comfort and expertise.

Another difference is that everywhere banks, even more so than conventional branch systems, bring the bank to the customer. The everywhere bank delivers financial services where people already are — to their homes, offices, stores. The everywhere bank is everywhere!

The everywhere bank delivers services through a "hub-and-spoke" approach rather than through a hub-only approach. In a hub-only approach most of a bank's facilities are full service.

In a well-developed hub *and* spoke system, cost-efficient spokes reach out to the marketplace, providing ultra convenience and limited services for the most routine transactions and good convenience and additional services for more specialized transactions. Fewer, more costly hubs provide less convenience, but maximum services for non-routine needs. Hubs also might be used by customers located near them and by customers who don't care about convenience and want to do their banking at a full-service facility.

The spokes might include off-premise ATMs, small auto-oriented branches with drive-in windows and ATMs, small, but plush, limited-service branches in luxury apartments or condominum complexes, mini-branches in retail stores and malls and in-home banking.

There seems to be a rather important role for the corporate-communications function in making the shift to everywhere banking, although it's not an obvious one.

First, working together, corporate communications and marketing may be able to educate time-buying consumers to do their banking more efficiently. Assuring that the signage in banking offices does a good job communicating with customers so they will know "what to do"; developing an ad program educating consumers on how to do their banking in a more time-efficient fashion; distributing to customers a bank directory indicating which bank function should be contacted for any type of non-routine matter (e.g., complaint, lost credit card, incorrect statement) — these are just a

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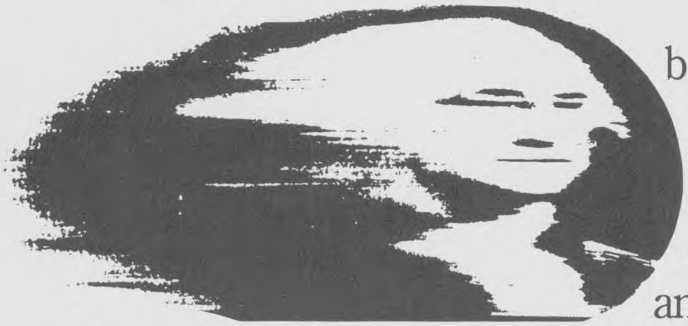

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few of the steps that can be taken.

Second, corporate communications can help gain acceptance of the bank's electronic-banking program by effectively representing the consumer's interest to management when it comes to such issues as security, privacy, fraud and adoption of user-friendly technology; by assuring that the bank provides consumers a "high-touch"-response capability when a problem with the electronic banking system arises and by making sure bank employees are kept informed about the bank's technology plans and are reassured that machines will not lead to their being laid off.

Third, corporate communications might be the impetus for establishment of an interdepartment committee or task force in the bank charged with making banking easier and more time efficient for customers. One activity of this group might be an evaluation of existing bank-office operating procedures and policies with the objective of redesigning or eliminating those that cause unnecessary delays.

In the 1980s, being an everywhere bank will be more crucial than ever before, but insufficient in and of itself. It will be more crucial because of the growing poverty of time. It will be insufficient because there likely will be other competitors that are just as convenient. To *not* be ultra convenient inevitably will mean market-share loss. To be *only* convenient, to be absent other compelling reasons for customers to patronize the bank also will mean market-share loss.

'I Am an Individual'

Still another important consumer orientation is the "I-am-an-individual" customer. Responding to the growth of institutional bigness, depersonalization and bureaucracy, a large number of consumers today are fiercely protective of their "individuality." These consumers want to express their individualness, want to be themselves, not somebody else, want to be treated as individuals, not as computer numbers.

Existence of the "I-am-an-individual" consumer is fueling growth in goods and services that allow for expression of individual creativity; for example, 35mm camera equipment.

Existence of this kind of consumer has prompted retailing researchers to be optimistic about the future of specialty stores inasmuch as such stores tend to be particularly well suited to provide the customized and knowledgeable personal service appropriate for certain lines of trade.

For many service industries — banking included — the "I-am-an-individual" consumer defines service quality in part by the extent to which the service is personalized and individualized. *What seem to be "little things" to a banker* — recognizing customers and referring to them by name, calling good customers rather than bouncing checks and sending little green slips in the mail, sending good customers a note from time to time thanking them for their business — turn out to be "big things" for "I-am-an-individual" consumer.

The challenge in banking is to transform banks from order-taking institutions that sell one or two services to customers over a short time to *relationship banks* that sell five or seven services to clients over a long period.

Relationship banking emphasizes client retention and enhancement, *not* just new client acquisition, and the satisfaction of total financial-service needs, *not* just bits and pieces of these needs. In a sentence, relationship banking is *attracting*, *maintaining* and *enhancing* client relationships.

In a relationship bank, servicing and selling existing clients are viewed to be just as important to long-term-marketing success as acquiring new clients. Good service is necessary to retain relationships. Good selling is necessary to build them. The marketing mind-set is that the attraction of new clients merely is the *first step* in the marketing process. Cementing the relationship, transforming indifferent customers into loyal clients — this is bank marketing, too.

Banks are interested in relationship banking because of the economics of selling five services to one customer instead of one service to five customers and because it is wasteful to turn over customers constantly. At the same time, "I-am-an-individual" consumers are interested in being served as clients, rather than as "faces in the crowd." Herein lies the central task: organizational functions like marketing/corporate communications helping the bank to become proficient in the art of *client* banking.

Becoming a relationship bank is not done easily. There must be a strategic approach in which at least five key elements are present and carefully coordinated.

First, the bank must become a

First Corporate Trade Payment Processed by Bank Through NACHA

THE NATION'S first inter-regional corporate trade payment (CTP), a new form of transaction designed to simplify and speed up fund and information transfer between companies, was processed recently by InterFirst, Dallas.

Sears, Roebuck & Co. and Black & Decker were the two participants in the initial CTP. These firms and InterFirst were among a handful of corporations and banks that helped in the development of the CTP system. CTPs are processed through the National Automated Clearing House Association (NACHA) network.

Sears initiated payment through InterFirst when payment information on magnetic computer tape was received from the retailer's accounts-payable department. InterFirst verified, edited and processed the information and sent it to the Dallas Fed.

The Dallas Fed then verified the transaction and sent it to the Richmond (Va.) Fed, which transferred the information to its branch office in Baltimore. There, the settlement process was completed when the Baltimore branch notified Black & Decker's bank, First National of Maryland, Baltimore.

The system's major advantage, say proponents, is the elimination of float. On the transfer date, settlement — in the form of immediately available funds — occurs simultaneously for all parties, thus eliminating float time in most Federal Reserve payment-system transactions.

Although exact figures are unknown, some estimates place the average Fed float at about $2 billion annually. The Monetary Control Act of 1980 mandated that the Fed eliminate or price for float, but use of CPTs may help to eliminate the possibility of banks passing on float charges to customers.

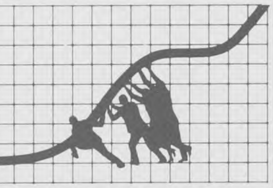
Support documentation for a payment is transferred along with the payment. Invoices, account records, or shipping information accompanies the fund transfer, reducing paperwork volume, time lags and errors.

CPT development began in 1980. It is based on programs used in the existing NACHA system.

The Smart Money is Heading to Atlanta

68th Annual Convention of the Bank Marketing Association

Managing for Profitability:
THE MARKETING CHALLENGE



THE ATLANTA HILTON • ATLANTA, GEORGIA • OCTOBER 23-26, 1983

The good news is, deregulation is going to make marketing people the heroes of the banking industry.

The bad news is, heroes aren't allowed to fail.

BANK MARKETING ASSOCIATION

Which means that marketing will not only be expected to make a greater contribution to bank profitability, it will also be held more accountable.

That's why the smart money is heading to Atlanta in October. To get a crash course on what marketing people can do to insure their own success and the success of their banks.

It's the 68th Annual Convention of the BMA, and the cynics among us are already calling it a survival course.

Here are some of the highlights:

■ Presentations from non-banking executives who have fought the battle of deregulation. And won. Which gives us a chance to learn from them, instead of reinventing the wheel.

■ A fascinating analysis of the trends that are shaping our lives and our futures by John Naisbitt, author of the current best-seller *MegaTrends*.

■ For perhaps the first time in history, the presidents of three Federal Reserve Banks on the same podium, discussing the future of our industry from their unique perspective.

■ Workshop sessions developed along five different tracks. You can follow one track all the way through, or you can mix 'n match.

■ "How To" sessions, which you'd expect, and "Why To" sessions, which you might not expect. So, you can not only learn the nuts and bolts, you can also explain the concept to top management. And that might be the most important thing you'll ever learn.

■ We've left room for a red-hot-topic session. Nobody knows what it'll be about, but you can bet that by convention time the rumor mill or DIDC will have given us all something to talk about.

■ And, apropos to our Georgia convention site, we've put together a peach of a program on the social side. For you and your spouse.

So, before you do anything else today, send in the attached response form for further information and a convention registration form.

And join the smart money in Atlanta.

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segmenter institution, since it's more practical to seek relationships with definable market segments whose specific wants can be identified and then satisfied. Building genuine client relationships requires that a bank perform at a superior level, and this, in turn, requires a focusing of resources.

Being a segmenter institution does *not* mean that a bank must close its doors to all customer-prospects falling outside the boundaries of a chosen market segment. Rather, it means the bank makes a strategic commitment to knowing far more about the wants of selected segments than do competing institutions and, using this in-depth knowledge, finding innovative ways to attract a "more than normal" share of business from these segments.

Second, there must be a *core service* around which the relationship can be built. The ideal core service attracts new business by addressing important unmet needs of the market segment, cements the business through its quality and multiple component parts and enhances the relationship over time by providing a platform from which additional services can be sold. Well-executed financial-planning packages are especially promising in this regard.

A *third* vital element is the *account representative:* someone the client can turn to when the need for non-routine service arises. The account representative is the liaison between the bank and client, the relationship banker who knows the client's requirements and who can satisfy them. The account representative provides the necessary "high-touch" response capability for there truly to be a "relationship." Machines alone cannot make relationships.

Fourth, bank services need to be priced to provide incentives for clients to consolidate much or all their financial business with one institution. There are several approaches to *relationship pricing*. One is to discount loan rates or service fees to clients maintaining a certain level of business with the bank. A second approach is to make available certain "special" services only to customers maintaining a certain level of business with the bank.

A *fifth* element in relationship banking involves *training and educating* bank personnel. Staff training and education are critical because staff competence is an essential ingredient in foregoing client relationships. No client wants a relationship with an incompetent banker. Also, personnel the bank most wants to keep, personnel with intelligence, motivation and interpersonal skills to be good relationship officers, will be the ones who will most want to grow in their work, the ones who will want to develop their skills and knowledge continually.

"I-am-an-individual" consumers are out there in the marketplace. A key in attracting, keeping and building their patronage is treating them like clients. We hear and read so much about the plight of the community bank in a deregulated era. What is overlooked in these discussions is that the well-managed community bank is well positioned to treat the "I-am-an-individual" consumer *as* an individual. Perhaps, this is one of the main reasons there are hundreds of banks in California today rather than 10 or 20.

Conclusion. "Get-my-money's-worth," "time-buying" and "I-am-an-individual" consumer orientations have far-reaching implications for banking. As already mentioned, a single consumer may have all three orientations. The same consumer may be investing in land, tax-free bonds and money-market instruments, be highly convenience oriented when it comes to routine transactions and insist on individualized treatment when it's a banker, not a bank machine, that is needed.

Understanding this changing consumer is important. The fabric of bank-

ing in America is changing radically. This is a *truly turbulent* time for banking, a time when banking and other industries join to form a much broader, highly competitive financial-services industry. This is a time when everyone gets into everyone else's business.

Old bank marketing and *old* bank public relations no longer are enough!

Cherry Creek Nat'l Employees 'Fenced In' During Show

Did employees at Cherry Creek National, Denver, hum "Don't Fence Me In" while taking care of bank business this summer? It would have been appropriate since they were surrounded for six weeks by the world's largest collection of barbed wire, which was on display in the bank's lobby.

Exhibited in the shape of trees, arrows, stars, bow ties and other unusual designs, the barbed-wire creations were mounted on English linen and exhibited in glass-encased oak shadow boxes.

The collection represents a portion of 12,000 wires collected from more than 70 countries. "Barbed wire reflects American ingenuity at its best," says Robert Campbell, exhibit owner. "It's a bit of Americana that can be found in no other medium."

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