

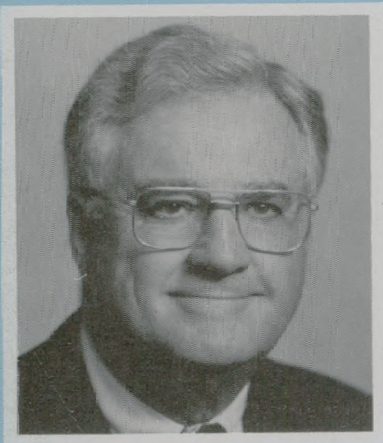
MID-CONTINENT BANKER

INCORPORATING MID-WESTERN BANKER

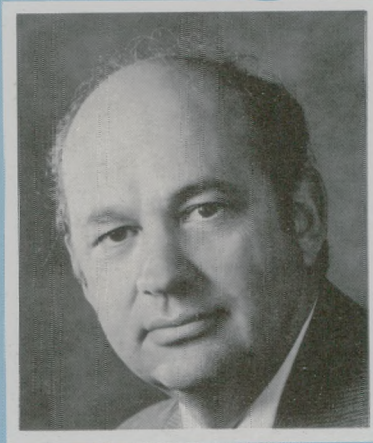
SEPTEMBER, 1983

(ISSN 0026-295X)

SOUTHERN EDITION



William H. Kennedy Jr.
ABA President



C. Robert Brenton
ABA President-Elect

**Key to Community-
Bank Survival**
See page 40



From left to right, seated: Gordon Greer, President, Liberty National Bank & Trust Co., and President, Oklahoma Bankers Association; Ken Bonds, Chairman, Trust Committee, Liberty National Bank and Trust Co. Standing: Pete Dowling, Executive Vice-President; Bill Bell, President, Liberty Financial Corporation; Jim Talkington, Senior Vice-President, Correspondent Banking.

Q: Can you guess where these Mid-American bankers are from?

A: Kū'oko'a...that's right... Kū'oko'a is a Hawaiian word meaning "Liberty". And throughout Mid-America, Liberty is a word that means superior customer service — especially to our Correspondents — the kind of service that ensures a brighter Mua (Hawaiian for "future") for all of us.

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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

- 13 ABA CONVENTION PROGRAM
Parade of speakers includes Ford, Volcker, Wriston
- 18 ABA PRESIDENT RECAPS YEAR IN OFFICE
Withholding victory heads list of accomplishments
- 24 LOAN-REVIEW COMMITTEE BENEFITS REPORTED
A follow-up report on this vital topic

Financial Buyers Guide (BG/1-BG/24)

- BG/3 CARNEGIE COURSES MOTIVATE BANK'S STAFF
- BG/4 KEYS TO MEETING NONBANK COMPETITION
- BG/8 HOW TO SEARCH FOR PERFECT PREMIUM
- BG/16 VOLUNTEER WORK ENCOURAGED BY BANK

- 33 NEWS ABOUT BANKS/BANKERS
Mergers, promotions, reassignments reported
- 40 KEY TO COMMUNITY BANK SURVIVAL
It's adjustability, BAI survey shows
- 44 COMPETITION AFFECTS LIABILITY PRICING
Causing some banks to take risks
- 48 INVESTMENT COUNSELOR ASSISTS UP-SCALE RETIREES
Service helps bank keep customers
- 52 SERVING THE NEW CUSTOMER
A marketing/communications perspective

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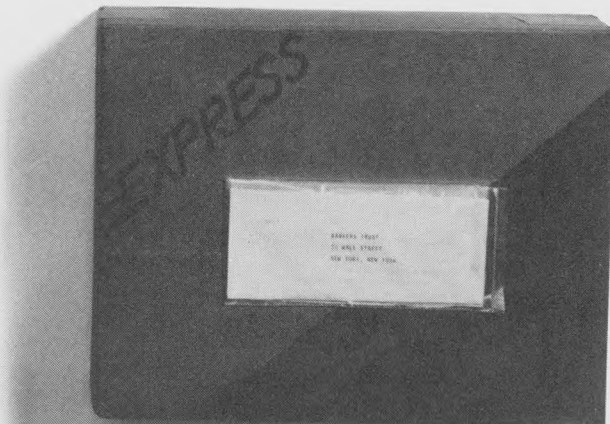
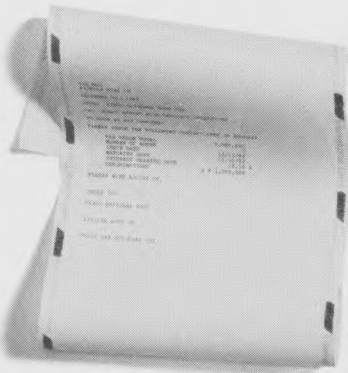
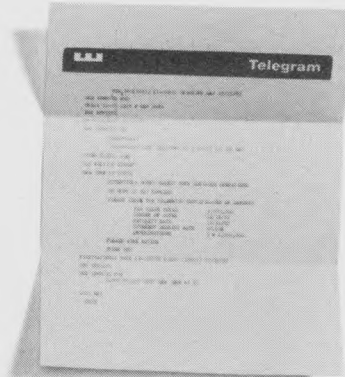
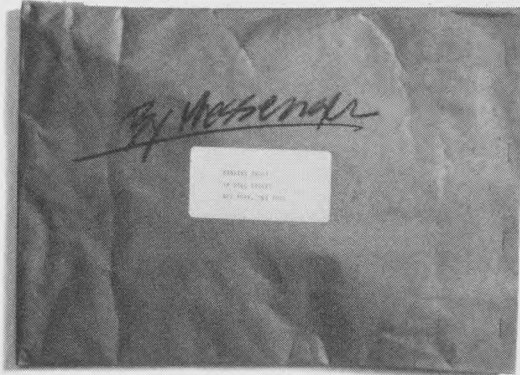
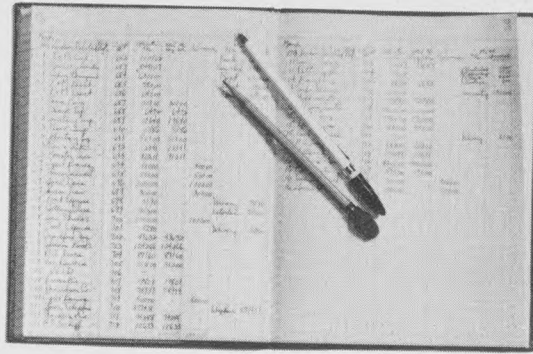
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MID-CONTINENT BANKER for September, 1983



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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

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

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.

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

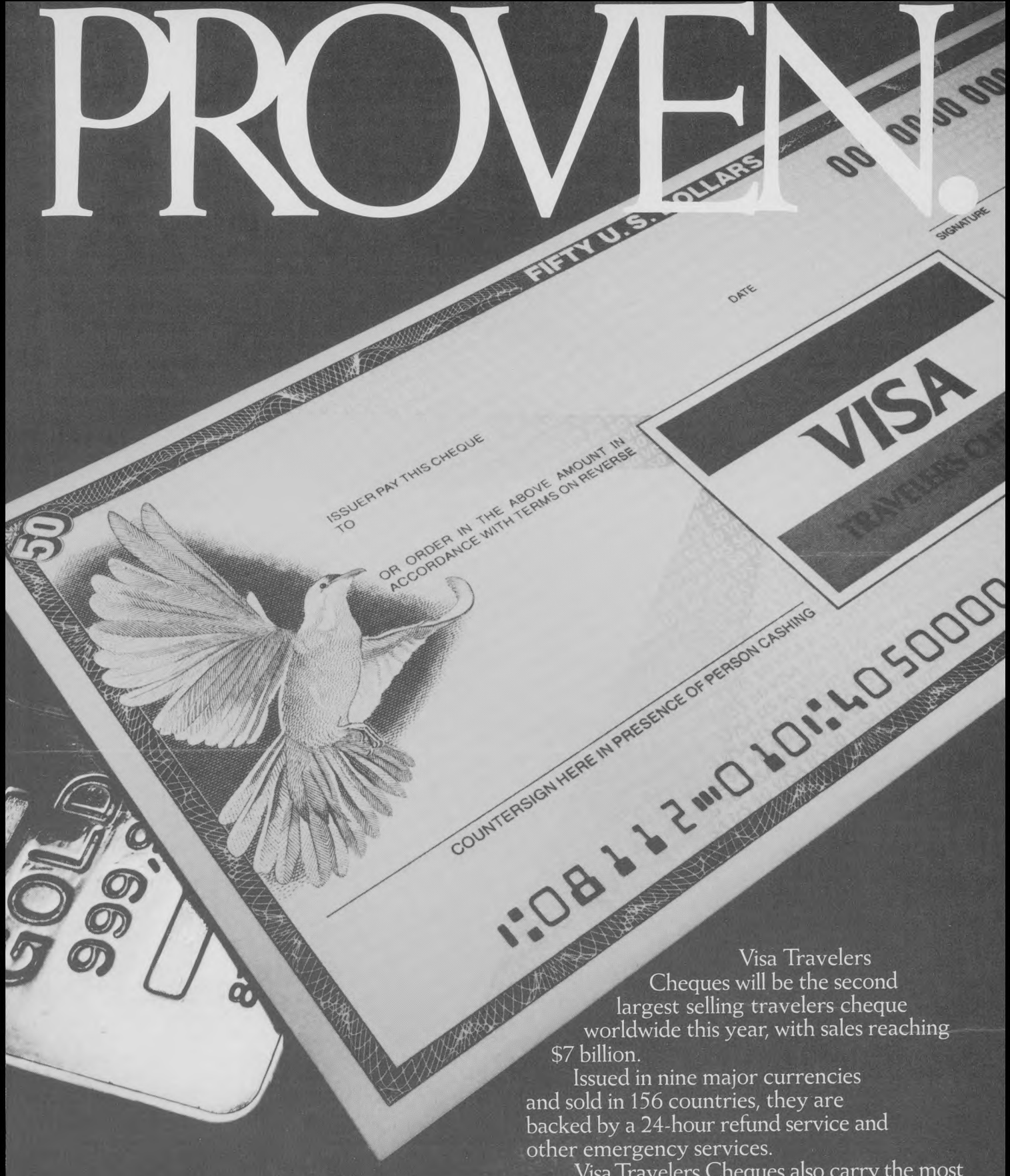
"The number of ATM transactions is expected to jump from 1.5 billion in 1981 to seven billion by 1985, according to one study."

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.

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 *Com-*

petitech, 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.

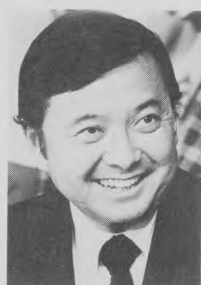
Micro-computers, one of the most popular convention subjects last year, will be revisited on Tuesday afternoon. Attendees will learn how to evaluate and select a micro and how to use mi-



Convention Speakers at General Sessions



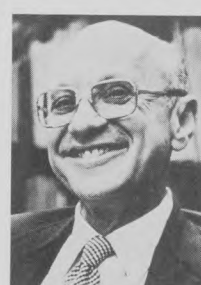
WRISTON



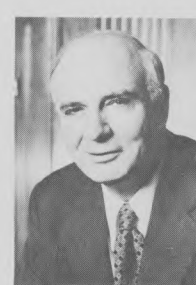
INOUE



FORD



FRIEDMAN



VOLCKER



CLYDE



JORDAN



JONES



PARRY

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.

cross 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.

"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.

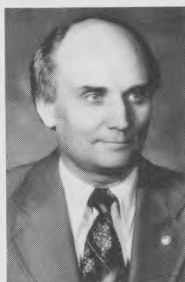
Tuesday's topics will include kidnap/hostage; sales force management; loan workouts; planning; bank service corporations vs. HCs; challenging competitors in the upscale market; managing the information overload; and incentive compensation for bank personnel.

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.

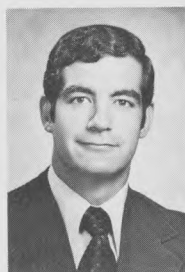


GARN



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.



ISAAC



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.

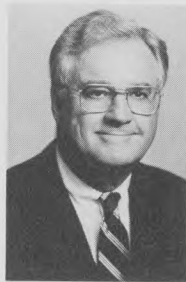
Featured speakers will be William M. Isaac, FDIC chairman, and C. Todd Conover, Comptroller of the Currency. The session will include dialogues with panels of representatives of the Fed, the FDIC and the Comptroller's office.

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



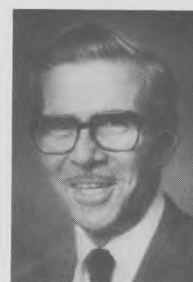
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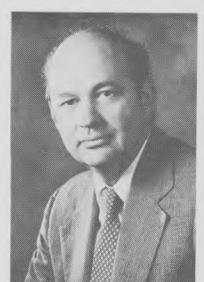
KENNEDY



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.

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...with these products?

...in these markets?

...and, under what conditions?

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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?

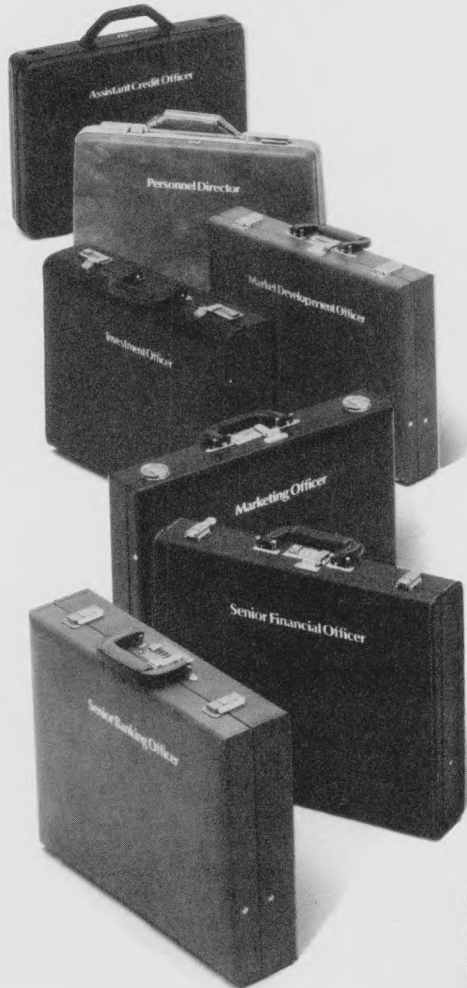
A: The fundamental concern of deregulation is how, down the road, commercial banks are going to profit. The industry is profitable at this particular point in time. But there is a realization by bankers that there is a squeeze on the interest-rate spread as a result of freeing up the liability side of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

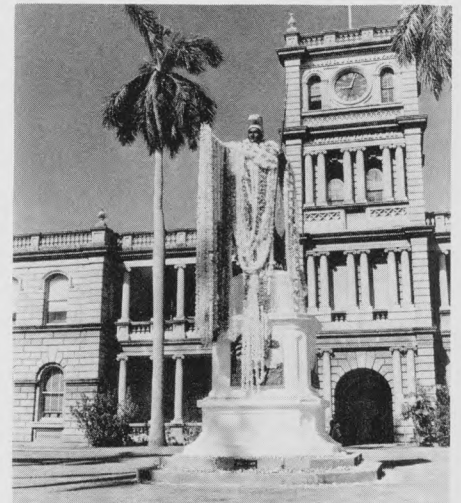
There's also Pearl Harbor, with a museum and the U.S.S. Arizona Memorial; Aloha Tower, Hawaii's version of the Empire State Building, with spectacular views of the city and harbor; Castle Park, a nearby 16-acre amusement park; the Bishop Mu-

seum, with exhibits ranging from rare historic Hawaiian artifacts to an ultra-modern 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



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.)

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.

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, Moroccan 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.

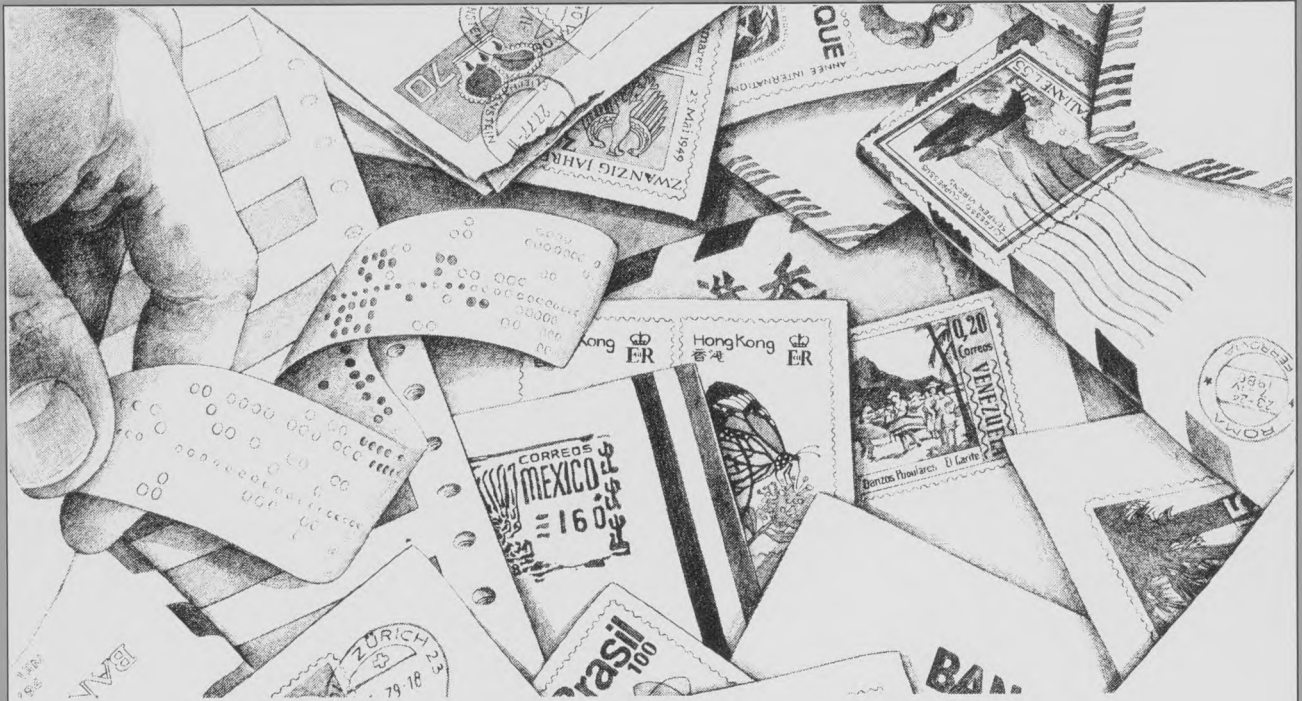
"Honolulu" means "fair haven," and although the name is believed to refer specifically to the metropolis' excellent harbor, the name certainly could apply to the entire city — an idyllic location for the ABA convention. ● ●



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.)



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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 commit-

tee 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)*

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"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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"The best word for it, I think, is professionalism. HBE really knows what makes banks tick. They work with so many they can tell you right away if an idea will work or if there's a better way to do it altogether. That's the kind of competence that can also save you from somebody else's naive mistakes. Everybody can see it—we even have contractors on our board, but we all became convinced that HBE's superior expertise made it the clear choice."

"The thousand miles vanished when we got HBE for neighbors right here in town."

"When construction actually began, HBE immediately moved their superintendent into our area. He was here for the entire time, working on a daily basis with local subcontractors. And it went so well, as a matter of fact, that the entire project was completed almost sixty days ahead of schedule."

"They really have the people—in force."

"Some organizations, despite their reputation, can leave you with just a salesman to deal with.

But HBE is fully staffed with architects, engineers, construction managers, and so on. And they're always just a phone call away. Any time you want to talk to them, they're all there under one roof—real professionals, on staff, who know what they're talking about."

"We're attracting more business, too."

"HBE helped us increase our customer appeal by developing an entirely new and exciting image program. It embraced not only the concept of the building and the site, but a new logo and an entirely new corporate identity. When we moved in, we saw business increase by more than 50% the first year. That's the kind of marketing insight you get from HBE."

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“Our new building is all we wanted it to be and more, thanks to HBE.”

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.



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Volcker Addresses Arkansas Bankers, Sees New Role For Banks Emerging

FEDERAL Reserve Chairman Paul A. Volcker told an overflow crowd of Arkansas bank CEOs last month that he is "reasonably hopeful" that by next spring, a consensus on a new role for commercial banks will have emerged. He spoke at the Arkansas Bankers Association bank management seminar held in Fayetteville.

Referring to a Reagan Administration proposal for putting bank HCs and S&L HCs on a more equal competitive footing, Mr. Volcker said there probably will be additional "financial" areas in which bank HCs can operate, but a distinction between banking and commerce will remain. How the lines between banking and commerce are drawn is a critical issue which will preoccupy legislators and the forces contending for a share of the financial-services market for the next several months, he said. Continuation of some of the privileges banks have enjoyed as well as restrictions on their operations is likely, although he added that new bank regulations hopefully will be less onerous than those of the past.

The precise balance between the eroding advantages banks have enjoyed and regulations restricting them is shifting, said Mr. Volcker. Such changes, along with "sweeping" changes in technology in the financial-services market, mean that banks cannot remain as insulated as they once were, he said.

Mr. Volcker's presence swelled attendance to a record 774, including a large press contingent.

He cited recent "unambiguously good" economic indicators as evidence that the recovery is proceeding faster than anticipated, but the very speed of the recovery advances the day when the nation must deal with the size of its unprecedented-for-peace-time budget deficits, he added. The day when public and private credit demands will clash is coming sooner than expected, he warned, and an attitude that there is no hurry to reduce projected budget deficits is dangerous. Action now will prevent the need for more abrupt restraint later, he said.

Following a long period of "pain and difficulty," the nation has a rare oppor-



Paul A. Volcker (l.), ch., Federal Reserve, is honored by the Arkansas Bankers Association following his speech at the Ark.BA bank-management seminar in Fayetteville. Sloan Rainwater, ch./pres., Bank of Northeast Arkansas, Jonesboro, who presided at session, praised Mr. Volcker and presented him with a plaque.

tunity to lay the groundwork for a prolonged recovery without re-igniting inflation provided corrective action is taken soon, according to Mr. Volcker. "The momentum is going with us now," he said. "This is no time to rest on our oars."

Other prominent speakers featured at the seminar included ABA President William H. Kennedy Jr., chairman, National Bank of Commerce, Pine Bluff, Ark., and Robert Bergland, currently president, Farmland World Trade, and formerly secretary of agriculture in the Carter Administration. Seminar Chairman Sloan Rainwater reminded the audience that "U.S. News & World Report" had recently



Sloan Rainwater (l.), ch./pres., Bank of Northeast Arkansas, Jonesboro, talks with Robert Bergland, a featured speaker at the Ark.BA Bank Management Seminar.

ranked Mr. Kennedy — along with Mr. Volcker — among the nation's most influential bankers. Mr. Rainwater is chairman/president, Bank of Northeast Arkansas, Jonesboro.

Mr. Kennedy issued a call for bank industry unity, which he said is necessary in the new era of deregulation. The nation has begun a debate on how the financial world will be structured for the next 40 to 50 years, he said, and the banking industry must present a united political front if its interests are to be protected.

"We can't fight if we aren't together," Mr. Kennedy said.

Mr. Bergland, who is soon to take over as CEO of the National Rural Electric Cooperative Association, used his segment of the seminar to present an overview of the conditions on the nation's one million commercial farms. Today's farmers are much more vulnerable to events beyond their control in other parts of the world, he said. That vulnerability has forced farmers to recognize their interdependence, he said.

During the segment of the program devoted to rural banking, Jim Potter, vice president, Mid America Bank Services Co. (MABSCO) described a new program through which MABSCO can provide alternate credit sources for rural banks during periods of high credit demand. The program, known as MABSCO Agricultural Services, Inc., is intended to supplement, not supplant, existing correspondent banking relationships, according to Mr. Potter.

Arkansas Banking Commissioner Marlin Jackson was vocal in his support of bankers. He urged them to stop attacking one another and to concentrate on meeting the new competitive threat of nonbanking institutions which he said deceive the public with their claims of offering the same level of service that banks do.

He said that he has been sickened by the intrusions into the historically protected area of banks and added, "this banking commissioner stands ready to support you to put an end to that type of deceptive advertising." — **John L. Cleveland**, assistant to the publisher.

We're all looking forward to seeing you in Hawaii!

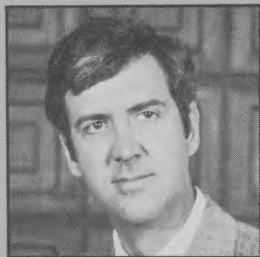
The thing we like about bankers conventions is the opportunity they give us to meet old friends and make new ones.

That's why all seven of us are delighted to participate in the ABA convention in Honolulu, Hawaii, October 8-12.

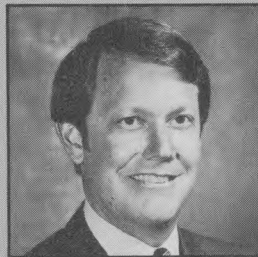


Not just to enjoy the scenery. But to affirm our commitment to find out about your bank's needs and concerns. And to let you get to know members of United Missouri's top management if you don't know us already.

See you there!



Dick King
President,
United Missouri Bank
of Kansas City, n.a.



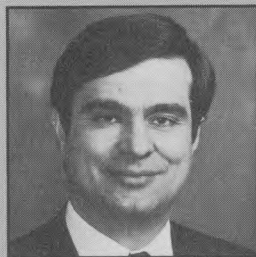
Mick Aslin
President,
United Missouri
Bancshares, Inc.



Lyle Wells
Vice Chairman
of the Board,
United Missouri Bank
of Kansas City, n.a.



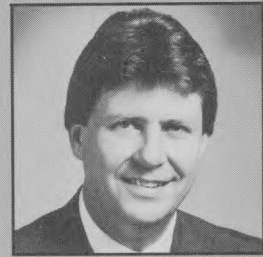
Byron Thompson
Vice Chairman
of the Board,
United Missouri Bank
of Kansas City, n.a.



Peter Gabrovsky
Executive
Vice President,
United Missouri Bank
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Dick Brooks
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NEWS

About Banks & Bankers

ALABAMA

Jen Mooney has retired from her post as vice president of First Alabama Bank, Montgomery, to head her own company, EMS Associates, a bank marketing firm. She had served with First Alabama Bank for 15 years before starting her own firm which offers marketing programs to banks.

SouthTrust Bank of Russell County, Phenix City, has elected James C. Cross Jr., president/CEO. Previously, Mr. Cross had served as president/CEO, Community Bank, Hartselle, an institution he founded. Mr. Cross also has served with banks in Georgia and Alabama.

Central Bank of the South, Birmingham, has elected John "Larry" Lassere commercial loan officer for the Gulf region. Mr. Lassere had been vice president/regional consumer credit manager for First Interstate Bank of California, Los Angeles. John Nicholas, formerly with Northern Trust, Chicago, and First National, Midland, Tex., has joined Central Bank as vice president/manager-employment services. Anne B. Robey has been elected training and development specialist.

Farmers & Merchants, Centre, has elected Sandra Sentell to its board. For the previous two years, she had served as chairman of the advisory board. She owns and operates her own beauty salon in Centre.

ARKANSAS

The **St. Louis Fed** has approved the applications of three new holding companies. Arkansas State Bankshares became a holding company through indirect acquisition of Arkansas State, Clarksville; DeWitt First Bankshares through acquisition of First National, DeWitt; and First American Bancshares Limited Partnership through merger with First American National Bancshares, North Little Rock, and acquisition of First American Bank/Little Rock.

C. Joseph Giroir Jr. and **Jack Fleischauer Jr.** have been elected to the boards of National Bankshares Corp. and National Bank of Commerce, Pine Bluff. Mr. Fleischauer also was promoted to executive vice president at the bank. He has been with the bank since 1979 as a senior vice president and with the HC as executive vice president. Mr. Giroir, a Pine Bluff native, is chairman of a law firm in Little Rock.

George T. Weaver has been elected senior vice president/investment manager at Worthen Bank, Little Rock. Previously, Mr. Weaver was vice president/treasurer of the Federal Home Loan Bank, Little Rock. He is responsible for the bank's portfolio management, foreign and domestic collections, brokers clearance, safekeeping, wire transfer and money-market instruments.

Simmons First National, Pine Bluff, has promoted David W. Boast to assistant vice president/profit-transit-department manager.

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 interaction 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.

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.

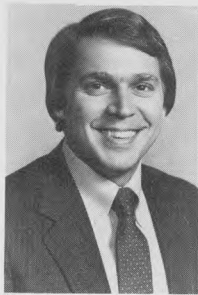
David A. Kudo has been promoted to senior vice president/finance-division head at Merchandise National, Chicago. Mr. Kudo joined the bank as vice president-finance in November, 1981, having previously served as controller of W. N. Lane InterFinancial, Inc.

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

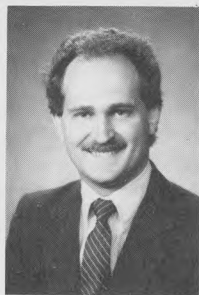
Sears Bank, Chicago, has appointed Gordon Carlson as vice president of correspondent banking.

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



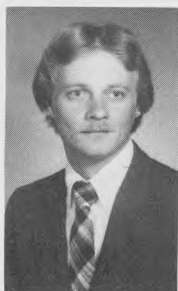
BAGLEY



BLOME

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.



BROWN

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.

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.

KANSAS

Thomas J. Noack has joined the trust division at First Continental Bank, Overland Park. He previously was a practicing attorney with a law firm in Lenexa.

Fourth National and its holding company, Fourth Financial Corp., Wichita, have announced the following promotions: David L. Strohm, senior vice president/manager in the bank's funds management division; Ronald L. Baldwin, senior vice president/finance for the bank and chief financial officer of the HC; Tom A. Page, vice president/manager of the bank's correspondent banking department; Wayne Becker, assistant vice president of the HC (in addition to the same title at the

Five-Story Office Tower Planned



A new five-story office building planned by McPherson Bank will add 16,000 square feet of space. In addition, a 24,000-square-foot double-deck facility will provide parking space for 56 vehicles. Most customer-related operations will be on the first floor, the trust department will occupy the second floor, and administrative offices will be on the third floor of the new building. The fourth floor is for future expansion and the fifth floor will include small meeting rooms, an employee-break area and a kitchen.

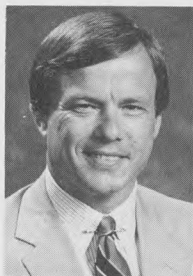
bank); David B. Smith, bank controller; and Barbara M. Noyes, HC controller. Other appointments at the bank include: Joan Carpenter and Lee Ann Clapp, customer-service officers; Susan Pool, new-accounts officer; and Margaret Hornbeck, funds-management officer.

Thomas R. Mahoney has been elected assistant vice president/commercial banking at Commercial National, Kansas City. Most recently, Mr. Mahoney served as business banking officer at another metropolitan Kansas City bank. Prior to that, he was associated with a mortgage company where he served as a commercial mortgage representative.

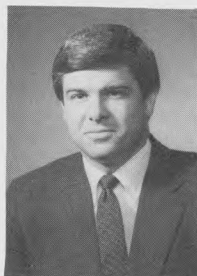
Dennis G. Bloomer has been appointed vice president/lending at Bank of Mid-America, Wichita. Formerly, Mr. Bloomer was with First National, Hutchinson, and Commercial Bank, Liberty, Mo.

Gary Reser, director of member relations, Kansas Bankers Association, Topeka, was among 92 individuals who have successfully completed requirements for becoming certified association executives.

First National, Elk City, has been sold by W. F. Dreiling, chairman/president, Peoples National, Burlington.



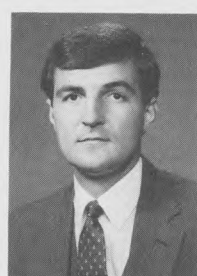
RESER



STROHM



BALDWIN



PAGE

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County Tower Corp., St. Louis To Be Acquired by Commerce

Commerce Bancshares, Inc., Kansas City-based statewide HC, plans to acquire County Tower Corp., Clayton-based HC, for \$96.1 million.

Commerce is expected to pay \$61.50 per share for the estimated 1.5-million County Tower common shares (90.6%) that hadn't already been purchased by Commerce or its chairman, James M. Kemper, Jr.

Under the merger agreement, County Tower has agreed to drop a lawsuit filed in July against Commerce and Mr. Kemper alleging that the takeover attempt was in violation of securities regulations.

The merger has been unanimously approved by the boards of both HCs, according to Commerce, but further approvals are required by the Fed and County Tower's shareholders.

The merger is expected to be completed early next year.

Commerce has 39 banks in the state with combined assets of approximately \$3.1 billion, County Tower has nine banks in eastern Missouri with assets of about \$1 billion.

Barbara Pendleton, former chairman, City Bank, Kansas City, has been promoted and transferred to United Missouri, Kansas City, where she is executive vice president/business development, customer retention and marketing. She joined City National, Kansas City, as a messenger in 1942.

United Missouri City Bank, Kansas City, has been formed by merger of City Bank and United Missouri banks of Blue Springs and Blue Valley. Stephen W. Crider is chairman/CEO and Jon Henderson is president. Mr. Crider retains his title as vice chairman, United Missouri Bancshares.

Michael R. Hart has joined Centerre Bank, Kansas City, as senior vice president/business development. He formerly was with United Missouri Bank.

William E. Hoerner and Barbara T. Lloyd-Jones have retired as treasurer, First Community Bancorp. and second vice president/manager, First National, Joplin, respectively. They joined the bank in 1947 and 1954, respectively. Richard J. Joseph, dentist, has been elected to the bank's board.

New owners include: W. E. Oakes, chairman/president, State Exchange Bank, Yates Center; Jacqueline C. Oakes; John Rorick, previously vice president, Peoples National, Burlington; and Don LacKamp, president, Cloud County Bank, Concordia. John Rorick is president/CEO.

KENTUCKY

Citizens Fidelity, Louisville, has announced the following promotions: Sandra B. King, from assistant vice president to vice president/management development; J. Douglas Summer, from assistant cashier/manager to assistant vice president/manager, Zachary Taylor office; and Katherine L. Beall, from data coordinator to operations officer/financial services.

The **St. Louis Fed** has approved the applications of B.S.H.C.P. Corp., Shelbyville, to become a bank holding company through acquisition of Bank of Shelbyville. Other recently approved holding companies include Danville Bancorp., Inc., through acquisition of Citizens National, Danville, and LIBSAB Bancorp., Inc., Mayfield, through acquisition of the successor by merger with Liberty Savings, Mayfield.

LOUISIANA

Jack W. Parker has been named executive vice president/chief financial officer at First National Bank of Commerce, New Orleans. He joined the bank in 1981 as senior vice president/manager, financial management and investments division. He also has served as treasurer of First Commerce Corp., the bank's HC.



PARKER

Kathy L. Pittman has been named assistant vice president/marketing at First Guaranty Bank, Hammond.

Gene Harper has been elected assistant cashier and has been appointed manager of the Livingston Branch of Livingston Bank.

Fidelity National, Baton Rouge, has reported the following promotions: Kenneth Stephen Kimball, vice president/trust-investment officer; Donald V. Regner, assistant vice president/trust officer; and Bradley Taylor, trust officer. In the financial services division, Jimmy B. Allen, who directs research and development operations, was named a vice president.

MISSISSIPPI

W. B. (Billy) Todd Jr. has been named president/CEO at Covington County Bank, Collins. Prior to his promotion, Mr. Todd was executive vice president.

Bank of Mississippi, Tupelo, has announced the following changes: C. J. (Junior) Roper to president, Booneville branch; Leon McWilliams to vice president/assistant manager, Grenada branch; James Robert Moore to vice president, Mississippi Agricultural Credit Corp.; and Sarah Duncan to operations officer, Mantachie branch. Prior to joining Bank of Mississippi, Mr. Roper had served in a similar capacity with another North Mississippi bank.

Grenada Banking System, headquartered in Grenada, has announced the following promotions to executive vice president: James T. Boone, credit department; E. Jack Garner, marketing/personnel; and Dan L. Holland, who also is cashier. Also promoted were: Kerren Melton to purchasing officer, Benny E. Herring to vice president-loans, Bank of Cleveland; and George W. (Bunky) Butler to senior vice president-loans, Coahoma Bank, Clarksdale. Gary L. Worsham has joined Grenada Bank as vice president-loans.

Merchants National, Vicksburg, has elected Joseph H. Neely senior vice president and James R. Wilkerson senior vice president/cashier. Mr. Neely joined the bank in 1980 as vice president. Mr. Wilkerson has been with Merchants National since 1965.

First Mississippi National, Hattiesburg, has elected Jerry M. Broughton vice president. Other recent appointments include: A. H. Ritter Jr., trust officer; Ronald E. Butler, assistant vice president; and Dot Shows, assistant vice president.



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full advantage of
constant change?**

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Old traditions in banking are broken every day.

In this challenging environment, it's more important than ever that your correspondent bank has innovative, cost-effective approaches to improve check clearing and expedite overline requests. But that simply isn't enough anymore.

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on managing all aspects of your business—planning, asset and liability management, personnel, investments, trust services—and more.

We are in this position because we have a staff of experts to serve our own needs; let us share our expertise with you.

Get to know us like our customers know us.

Feel free to consult with a Centerre Correspondent Officer anytime. On any basis.

CENTERRE BANK

Our customers know.

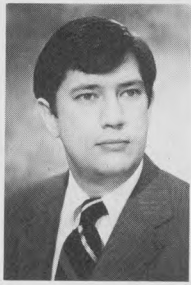
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MID-CONTINENT BANKER for September, 1983

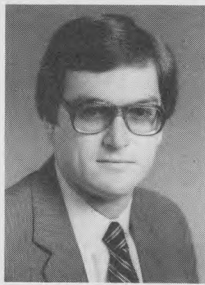
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Kansas City, Mo. 64106

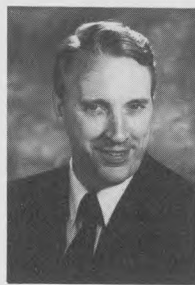
One Centerre Plaza
St. Louis, Mo. 63101



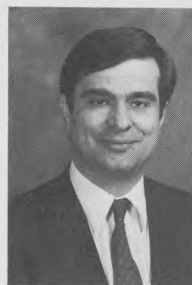
BARNETT



ARWOOD



HAYS



GABROVSKY



BEALKE



NOONAN

William J. Barnett Jr. has been elected president/CEO, Centerre Bank, Chesterfield. He succeeds Terry E. Alexander, who resigned recently, but who continues on the bank's board. Mr. Barnett formerly was manager, correspondent division, Centerre Bank, St. Louis, a post he held since 1981.

Linn H. Bealke has been elected vice chairman/chief operating officer and Thomas Noonan has been elected president of County Bank of St. Louis. Both also were named directors. Mr. Bealke joined County Bank in 1980 as a vice president and head of the consumer loan department. Mr. Noonan joined the bank in 1973 as vice president in charge of the mortgage loan department.

Mercantile Bank, Kansas City, has elected Robert Schultz, Mark Takesley and Diane Burkett assistant vice presidents.

Commerce Bancshares, Inc., Kansas City, has elected Gary L. Callaway vice president in charge of retail banking administration and product development, including credit-card operations. Mr. Callaway is returning to the HC from Commerce Bank, Joplin, where he had been president/CEO since 1979. His career with the organization began in 1974.

Roger M. Arwood has been elected vice president in the correspondent/regional department at First National CharterBank, Kansas City. He travels in Arkansas and other states. He formerly was with Bankers Trust Co., Des Moines, Ia. Peter J. Fiene, Robin Bell and Elizabeth W. Jensen have been named assistant vice presidents and Joyce Roderick has been named assistant cashier.

Peter N. Gabrovsky has been named executive vice president at United Missouri, Kansas City. He joined the bank in 1981. Other promotions include Robert E. Pyszka, vice president/director of purchasing, and Janet Wilkerson, assistant director of purchasing/manager of reprographics. In

the trust department, Dorothy Jean Schneider was promoted to vice president/trust taxes, Rita M. Abernethy to vice president/employee-benefit counsel, Roger W. Hershey to estate-planning officer and Michael M. Cooney to personal trust officer.

Thomas A. Hays has been elected to the board of Mercantile Trust, St. Louis. He is vice chairman, May Department Stores and CEO of its Venture stores division. Newly elected assistant vice presidents include: Virgil E. Mueller, John M. Dohr and Christopher E. Phillips. Jeanne M. Trueblood, Jacquelyn S. Rocchio, Stephen D. Parrish and Kurt Gerhardt were named banking officers and Jere P. Strobl and John W. North were named processing officer and trust officer, respectively. James J. Silvestri and Claudia J. Chunn were named international banking officers.

Centerre Aids Local Groups



E. Randolph Whitelaw (l.), e.v.p., Centerre Bank, St. Louis, chats with Robert Maffin, executive director, National Association of Housing and Redevelopment Officials, at Centerre's 1983 Neighborhood Marketing Assistance Program awards ceremony. Sixteen neighborhood groups received grants totaling \$50,000 — half of which was donated on a matching basis by Centerre — for a variety of neighborhood marketing programs. In commenting about the Centerre program — now in its fourth year — Mr. Maffin said it is symbolic of how cities once regarded as "down and outers" have become the "up and comers" of the 1980s. Ceremony was held in July.

Died. William A. Borders, 78, former vice chairman, Mercantile Trust, and president, Security Trust and County Bank, St. Louis, July 30, of a heart ailment. He was chairman of Ozark Air Lines and was a one-time president of the Missouri Bankers Association.

NEW MEXICO

John G. Koller has been named president/personnel director at First National, Albuquerque. He formerly was personnel manager for Johnson & Johnson (Ethicon, Inc.), Chicago. Joseph D. Fulmer was named vice president/executive officer and Ross T. Stenhouse was named assistant vice president/mortgage loan officer. Mr. Fulmer formerly was with First Interstate, Albuquerque.


First City National is the new name of First National of Lea County, Hobbs. The name of the bank — New Mexico's fourth largest — was changed in order to establish a stronger identity with the holding company, First City Financial Corp.

First City Trust, Albuquerque, has named Thomas Christopher, a former institutional investments manager with Harris Trust, Chicago, senior vice president/trust investments officer.

Jack T. Cargill has succeeded John W. Carter as president, First City National, Roswell. Mr. Carter helped organize First City National and was its first president. He resigned to enter a joint venture to acquire Western Development Limited Partnership, a real estate holding company. Mr. Cargill's banking career started in 1952 when he joined Carlsbad National.

R. Greg Leyendecker has been appointed senior vice president, American Bank of Commerce, Albuquerque, where he is in charge of the administrative division. New officers are: Robert W. Wornall, senior vice president; David D. Chase, personal banking officer; and Saralee Rahm, marketing officer.

WHO'LL GET THE LION'S SHARE ?



The competition's becoming ferocious!
Financial functions that were once
the private preserve of banks are
now fair game for others.

Who will survive and thrive in
this new competitive jungle?

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ones with the most efficient
operations and advantageous
products and services.

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help its client banks attract customers, reduce
operating costs and increase profits, even in the
most competitive environment.

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and find out how much more he can
do to make sure you end up with
the lion's share in your domain.

In Oklahoma, call toll-free
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United Oklahoma Bank

"We're committed to Correspondent Banking."

MEMBER FDIC

Edwinna B. Bernat has been elected senior vice president in charge of the communications and marketing group for New Mexico Banquest Corp., Santa Fe. Ms. Bernat, who also is corporate secretary, has been with the company since 1979.

OKLAHOMA

Liberty Nat'l, First Tulsa Announce Merger Plans

Liberty National Corp., Oklahoma City, has tentatively agreed with First Tulsa Bancorp. to consolidate the two one-bank HCs.

Liberty National Corp. is parent of Liberty National Bank, Oklahoma City, which had assets of about \$2.2 billion and deposits of about \$1.6 billion at mid-year. First Tulsa is parent of First National, Tulsa, which had assets of \$1.2 billion and deposits of \$874 million at mid-year.

If the consolidation is completed, it is expected to create the largest bank HC in the state with total assets of about \$3.4 billion. Each bank is expected to operate independently.

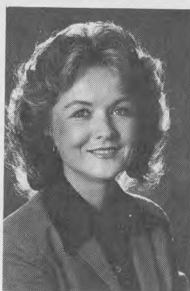
Completion of the consolidation is subject to various approvals and is expected to take from three to six months.

According to consolidation terms, First Tulsa holders would receive stock and notes in the new HC totaling \$91 million. They also would receive preferred stock equivalent to about \$35.50 a share for 60% of their approximately 2.5 million First Tulsa common shares, plus \$40 face amount of 10¾% notes issued by the new HC for each remaining share.

Terms covering Liberty National holders hadn't been established at press time.

Pioneer Bank, Ponca City, has promoted Larry Adams from vice president/cashier to senior vice president/ chief financial officer, Jean Tullos from assistant cashier to assistant vice president and Linda McCullough from assistant cashier to assistant vice president/cashier. Mr. Adams joined the bank in 1980. Ms. Tullos and Ms. McCullough have been with the bank since 1981.

Jim D. Burgar has been elected senior vice president/regional and national banking departments, and Michelle Lefebvre is the new vice president/director of marketing at Fidelity Bank, Oklahoma City. Jill A. Lightcap has been elected assistant vice president/director of community and public



LEFEVRE

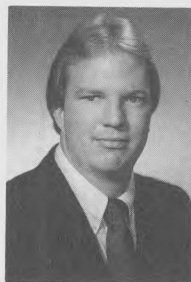


BURGAR

affairs. Mr. Burgar was with First National, Oklahoma City, prior to joining Fidelity. He is a former manager of First of Oklahoma City's correspondent banking department.

Fourth National, Tulsa, has named Tom P. Henson vice chairman, Jerry Hudson president, and John D. Strong Jr. executive vice president/credit administration. Mr. Henson has been with the bank since 1955 and served in a variety of lending capacities prior to being named president in 1978. Mr. Hudson previously was with Mercantile Bank, Tulsa, where he was president/CEO. Mr. Strong was with Citibank, New York, before joining Fourth National in 1979. Other appointments include: Barbara B. Glass, vice president/personnel; Stephen J. Brady, banking officer/energy lending; Carol Edwards, banking officer/metropolitan lending; and Nina Styers, banking officer/consumer lending. James E. Holliday, president/CEO, Holliday Mortgage Corp., was elected to Fourth National's board.

Thomas White has been appointed vice president/mortgage banking at Central National, Enid, and Brenda Garrison has been appointed assistant cashier/trust-operations officer. Mr. White was formerly with Centennial Savings & Loan, Durango, Colo.



SMITH

Bryan Smith has been elected assistant vice president/correspondent banking, United Oklahoma Bank, Oklahoma City. His banking career includes experience with Liberty National, Oklahoma City. Other appointments include Bob Dilg Jr. to assistant vice president/assistant controller, Greg Jones to assistant auditor and Alice Smith to assistant cashier.

First National, Oklahoma City, has promoted Thomas E. Sherman to senior vice president/correspondent banking. J. Gerald Cornelison has been named senior vice president/cash management and Bradley W. Krieger is the new senior vice president/local commercial department. David Jones has been promoted to vice president/finance division.

Hal W. Oswalt has succeeded Altus E. Wilder III as president of Republic Bank, Tulsa. Mr. Oswalt joined Republic in 1974 and most recently was executive vice president. Mr. Wilder has accepted a position with Satellite Syndicated Systems, Inc. Other appointments include: G. Richard De- gen, president/chief operating officer, Republic Bancorp., Inc.; Paul Anderson, vice chairman, Republic Financial Corp. and chairman, executive committees of Republic Financial Corp. and Republic Trust & Savings Co.; and Ansil Ludwick, president, Republic Financial Corp.

TENNESSEE

The St. Louis Fed has approved Merchants State Holding Co. to become a holding company through acquisition of Merchants State, Humboldt.

Owen G. (Bob) Shell, president, First American National, Nashville, has been given the additional title of CEO. Kenneth L. Roberts relinquished the CEO title, but remains as chairman, First American Corp. Mr. Shell joined the bank in 1979, coming from Citizens & Southern National of South Carolina, Columbia.

Ruth Benning has been promoted to vice president at Third National, Nashville. John Barton has been appointed to assistant vice president, James Bosworth to investment officer and Billy Woods to cash-management-operations officer. Promoted to officer status were Cynthia Harrison, cash management; Calvin Hunter, consumer credit; Ann Batson, assistant trust officer; and Ann White, assistant tax trust officer. Ms. Benning joined Third National in 1974; Mr. Barton in 1979.

TEXAS

Cullen/Frost, San Antonio, To Merge Into First City

First City Bancorp. of Texas, Inc., Houston, and Cullen/Frost Bankers, Inc., San Antonio, have agreed to merge. First City has assets of \$16.6

You've looked for the right Money Market Team to help you make all the right moves --



Chuck Williamson, Sr. V.P., Ken Schuerman, Sr. V.P. and Bill Strecker, Sr. V.P.

Here's the team you've been looking for.



OVER \$150,000,000 CAPITAL STRUCTURE
MEMBER F.D.I.C. / A SUBSIDIARY OF
FIRST OKLAHOMA BANCORPORATION, INC.

THE FIRST NATIONAL BANK AND TRUST COMPANY OF OKLAHOMA CITY

MID-CONTINENT BANKER for September, 1983

S/5

billion and Cullen/Frost has assets of \$3 billion.

The agreement calls for 50% of the total consideration paid by First City to be in cash and 50% in shares of its common stock. Cullen/Frost shareholders will receive \$38 for each share held in the form of cash, or between 1.6 and 1.9 shares of First City common, depending on the market price of First City shares.

Senior officers of the merged firm will be J. A. Elkins Jr., senior chair-

man/CEO; T. C. Frost, chairman; Nat S. Rogers, chairman, executive committee; and Daniel C. Arnold, president.

First City Bancorp.'s board will be expanded by eight and that many current Cullen/Frost directors will be nominated for the openings. Also, the HC's executive committee will be expanded to include T. C. Frost and C. Linden Sledge. Mr. Sledge is chairman/CEO, Frost National, San Antonio.

Republic Bank, Dallas, has promoted Barry J. Mason to a senior-management position in the general banking group, which consists of Republic's affiliate banks statewide. He had been manager of the corporate banking group's international department. John H. Falb Jr. was promoted to manager of the international department. Messrs. Mason and Falb both joined RepublicBank in 1969. New senior vice presidents are George C. Carter, Richard D. Fairman, Jack Bishop, Charles A. (Tony) Fernandez, Robert F. Miller Jr. and John C. Patterson Jr. Joe M. Kilgore, chairman, RepublicBank, Austin, has been elected to the board of RepublicBank Corp.

Mercantile National, Dallas, has elected David Vining vice president/funds management and Vicky Hendrich assistant vice president/international operations. Mr. Vining has 12 years of banking experience and most recently served with a large commercial bank in Dallas. Ms. Hendrich was with First National, Fort Worth, before joining Mercantile and has been in banking for nine years.

Susan Kahn has been elected president, Texas Commerce Bank-Preston Royal, Dallas. She joined the bank in 1978 and is said to be the only woman bank president in Dallas.

W. Tack Thomas, president of InterFirst Bank, Dallas, has announced plans to leave the bank at the end of 1983 to pursue other interests. Ronald G. Steinhart will be named to the additional positions of president/chief operating officer/director. Previously, he was president/chief operating officer, InterFirst Corp. William D. Breedlove has been given the additional title of chief banking officer for the InterFirst System. Robert H. Stewart III, executive committee chairman, continues to have management supervisory and coordination responsibilities for other InterFirst Banks through the company's banking divisions.

First National, Amarillo, has appointed Steve Hall assistant vice president/commercial loans. He joined the bank after serving two years as vice president/cashier at First State, Tishomingo, Okla. Other appointments include: Millie Bingham, assistant vice president, and Bobby Duvak, Sherron Johnson, Joe Lovell and David Smith, assistant cashiers. Mr. Smith is a correspondent banking officer. He joined the bank as a credit analyst in 1981.

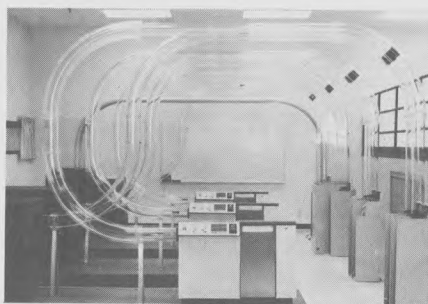
Mosler's New Education Center Doubles Training Capabilities

MOSLER has dedicated the new William A. Marquard Education Center in Hamilton, O., which the company says will double its existing training capabilities for sales, installation and service personnel.

Mr. Marquard, chairman/CEO of American-Standard, Mosler's parent company, cut the ribbon officially dedicating the 90,000-square-foot facility. The former president of the Mosler subsidiary remarked that he always has been impressed by Mosler's commitment to quality. In his days as Mosler president, the organization "was then and is today a quality product, quality people company," he said.

"This new facility represents a sizable tangible investment for American-Standard and will further insure that Mosler remains the top-quality supplier of goods and services in the security industry," Mr. Marquard said.

With its modern classrooms and laboratories, the education center was designed to meet the ever-increasing



A portion of remote-transactions-systems laboratory in new William A. Marquard Education Center in Hamilton, O., recently dedicated by Mosler, subsidiary of American-Standard, of which Mr. Marquard is ch./CEO.

needs for high-tech training resulting from the development of new security systems and traditional product enhancements, the company says. The center also will allow Mosler to provide product training for customers. A complete, operational representation of the Mosler product line is exhibited in the center's display area for customer viewing and demonstration. ● ●



Attending dedication ceremonies of new Mosler Education Center are, from l.: Roy C. Stachell, s.v.p./security/graphic products, American-Standard; Robert F. Murphy, pres., Mosler Safe Co.; William B. Boyd, pres./chief operating officer; William A. Marquard, ch./CEO; Keith D. Bunnell, v.ch./administration; and Alan C. Root, s.v.p./operation services, all with American-Standard.

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Leonard Magruder, Senior Vice President, Correspondent Banking Division

"A correspondent banking relationship doesn't mean a thing unless your upstream correspondent is in touch with the banking industry as a whole and, at the same time, knows the marketplace in which your bank does business.

"You can count on Frost correspondent bankers to know your marketplace. After all, we've been in the banking business for more than a century, and that's a lot of years of experience you can call on. Equally important, Frost correspondent bankers constantly monitor the market to keep you apprised of economic developments and trends. We know the unique combination of problems your bank faces daily and on a long-term basis. And we work out solutions to banking problems, often before they happen, so our ability supplements your own."

Experience, Commitment

"Frost correspondent bankers are committed to working with your bank on a personal as well as a professional level. And that's more important than ever before, in today's rapidly changing marketplace where responsiveness is vital to any correspondent banking relationship.

"When you run into a problem, you need a solution. Now. Your correspondent banker's response should be rapid and it should be based on substantial professional experience and expertise.

"Your bank deserves a correspondent banker with the ability to respond with answers when you need them. With the ability to back you with a complete range of services. From clearing functions and asset liability services to account management tools, automated

services and loan participation. Frost Bank can provide your bank with exactly that kind of dependable, creative, full-scale backing that makes a real difference in your ability to succeed."

The Bottom Line

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Little Rock Has New/Old Bank; First Commercial Opens Doors

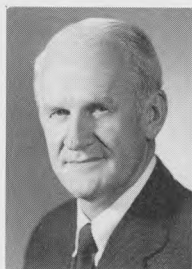
Phone Bill-Pay Service Declines at Banks — Lack of Response Cited

FIRST COMMERCIAL BANK, Little Rock, became Arkansas' largest bank when it opened August 1, following the filing of incorporation documents with the Arkansas secretary of state on July 31.

The filing was the final step necessary to legally complete the merger of Commercial Bankstock, Inc., and First National Bancshares, Inc., and their wholly owned national banks — Commercial National and First National.



CRAVENS



BOWEN

William H. Bowen is chairman and William L. Cravens is president of the merged bank, which has total resources of more than \$1 billion, including \$60 million in capital. Senior executive offices are in the former First National Building, but Commercial National's downtown building also is being utilized.

The new bank currently has 26 bank locations and 12 ATMs in the city, but expects to reduce the number of branches after a feasibility study has been completed. Customers of the two former banks can use all of the facilities of the merged bank as well as the 78 Arkansas Cash-Network ATMs located in 25 cities throughout the state.

The bank, which is being marketed as "First Bank," has established a customer hotline service to answer questions about any aspect of its operations.

Bank management is attempting to

assure job security of current employees. It's expected that normal attrition and departmental transfers will minimize termination of any experienced staff members.

As part of the bank's opening celebration, visitors to any bank location last month were given free mementos of the bank's founding. The memento — one of the first pennies issued by the new bank — is enclosed in a folder bearing the title "A Penny for Your Thoughts and \$5,000 for Our Community." Recipients were asked to provide written comments to bank management regarding suggestions as to how First Commercial could better serve its customers and the community.

Those completing comment cards were asked to name their favorite charity and on September 1 five cards were drawn and a \$1,000 donation was given to each charity from the bank in honor of the individual listing the charity.

"We are pleased to be making Arkansas banking history through the merger of our two outstanding organizations and are genuinely pleased about the expanded services we can provide to our customers and the community through our combined resources," said Mr. Bowen.

Mr. Cravens said, "Our alliance allows us to increase our ability to continue existing services, expand into new areas to meet financial needs and fund development projects in both the private and public sectors."

The bank's new loan limit is \$9 million. It has 110,000 customers.

Both Commercial National and First National were established in 1934. Mr. Bowen formerly was chairman, Commercial National, and Mr. Cravens formerly was president/CEO, First National. ●●

Bank Gives Concerts, Computers

Kansas American Bank, Overland Park, sponsored three free concerts recently featuring Gospel singer and Dove award nominee Stephanie Booshahda, a big band-style orchestra and the Kansas City Chorale.

A computer was given away at each concert.

More than one-third of the financial institutions offering telephone bill payment (TBP) in 1982 have discontinued the service, according to a current study by Trans Data Corp.

Primary reasons for the decline include the general lack of consumer response and the high-operating costs associated with offering the bill-paying service. Deregulation of the financial industry and the recent flurry of more lucrative product lines such as ATMs and point-of-sale services also have contributed to the decrease.

Although TBP offerers generally have declined in number, survey results reveal that several large commercial banks and a major brokerage firm have introduced the service.

For many large institutions, TBP provides a wide distribution of customer access points for effectively linking a large portfolio of products, the study says.

Girard Bank, Pittsburgh, for example, potentially provides nationwide customer access to its cash management account and discount brokerage services through its TBP program. As a result, despite the fact that TBP is typically a money loser, the expense may be justified for some large institutions because of the connection it brings to a number of products, the study says.

A few institutions that package TBP in this manner are realizing monthly transactions in excess of 100,000, substantially above the industry average of 9,000 transactions, the survey continues.

The survey also showed that TBP continues to be developed in service bureaus. Such use has increased 10% in a period beginning with 1982 and ending in the second quarter of 1983, resulting in 53.9% of all TBP offerers using service bureaus.

Among smaller institutions with deposits under \$500 million, the use is even greater (more than 70%). The majority of institutions that provide TBP in this manner usually realize about 30% cost savings over in-house systems, depending on the volume of transactions generated, the survey says.

The full report entitled "Evolution of TBP: An Assessment of Product Development" can be obtained from Trans Data Corp., Box 735, Cambridge, MD 21613.



FIRST COMMERCIAL^{NA}

Marketing plans for First Commercial call for referring to the new institution as "The First Bank."

COUNTY TOWER CORP. AND SUBSIDIARIES

Consolidated Balance Sheet

December 31, 1982

Assets

Cash and due from banks	\$ 91,428
Interest-bearing bank deposits	1,100
Investment securities (market value: \$307,778,000 in 1982, \$266,601,000 in 1981 and \$112,630,000 in 1980)	309,259
Trading account securities	20
Federal funds sold and securities purchased under agreements to resell	89,188
Loans	550,216
Unearned discount	(4,608)
Loans, net of unearned discount	545,608
Reserve for possible loan losses	(5,913)
Loans, net	539,695
Direct lease financing, net of unearned interest	5,747
Bank premises and equipment	24,100
Other assets	25,359
Total assets	\$1,085,896

Liabilities and Stockholders' Equity

Deposits	
Demand	\$ 262,955
NOW and similar accounts	78,339
Savings	104,425
Other time	430,622
Total deposits	876,341
Federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings	121,820
Other liabilities	11,618
Long-term debt	13,605
Total liabilities	1,023,384
Commitments and contingent liabilities	
Stockholders' equity	
Common stock—par value \$5	
Authorized 3,000,000 shares, issued 1,680,479 in 1982, 1,601,630 in 1981 and 850,672 in 1980	8,402
Capital surplus	35,104
Retained earnings	19,006
Total stockholders' equity	62,512
Total liabilities and stockholders' equity	\$1,085,896

DIRECTORS

Elected April 27, 1983

Harlan A. Eckhardt
President

Litho-Strip Sales Corporation

J. Gordon Forsyth
President

Forsyth Cartersville Coal Co.

William A. Frank
President

Frank's, Inc.

John M. McIlroy, Sr.
Attorney

McIlroy and Millan

L. Carl Owen, Jr.
Vice President and

Treasurer

Graybar Electric Company, Inc.

Ben Peck
Chairman of the Board

Wohl Shoe Company

Merle M. Sanguinet
Chairman of the Board and

Chief Executive Officer

County Tower Corp.

Gregory B. Vatterott
President

Charles F. Vatterott & Company

Earl E. Walker
President

Carr Lane

Manufacturing Company

OFFICERS

Merle M. Sanguinet
Chairman of the Board and

Chief Executive Officer

Andrew N. Baur
President and

Chief Operating Officer

Frank K. Spinner
Vice Chairman

Rodney F. Hill
Executive Vice President

Thomas Cummings
Vice President and

General Counsel

H. Esserman, Jr.
Vice President

Gerald Lewinski
Vice President and

Director of Human Resources

Martha R. Sheerin
Vice President and

Secretary

Robert Von Talge
Vice President and

Treasurer

William A. Wenthe
Vice President and

Director of Marketing

Robert C. Wolford
Vice President

Paul M. Strieker
Vice President and

Controller

Karen L. Hodgdon
Assistant Controller

Daniel F. Dahlke
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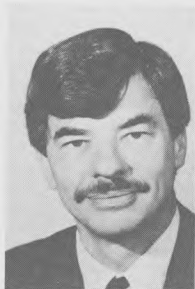
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Recovery Assured Through 1984 Says Leonard at Andersen Seminar

ECONOMIC recovery is "absolutely assured" through 1984, but the danger of re-igniting inflation is greater than many experts now believe, according to Eugene A. Leonard, senior vice president at Mercantile Trust and Mercantile Bancorp., St. Louis.

Dr. Leonard made his comments at a community-bank seminar sponsored by Arthur Andersen & Co. last month at the Marriott Pavilion Hotel, St.

Eugene Leonard, s.v.p., Mercantile Trust, St. Louis, told bankers he sees possible re-igniting of inflation in 1985 if Fed doesn't practice monetary restraint.



Louis. Approximately 60 community bankers from throughout the southern halves of Missouri and Illinois attended the seminar. Primary purpose of the seminar was to present an overview of a newly published study, "New Dimensions in Banking: Managing the Strategic Position," a summary of which appeared in the August issue of MID-CONTINENT BANKER.

Dr. Leonard appeared on the program to answer bankers' questions about the economy. He said consumer spending will continue to fuel the recovery even though recent interest-rate increases had already weakened one of the recovery's previously strongest underpinnings, new housing construction.

Nor does Dr. Leonard see much



Robert Manion (l.) and Michael Reese, representing Arthur Andersen & Co., St. Louis, took part in presentation of results of bank-strategy study at seminar for Illinois and Missouri bankers last month.

hope of a decline in short-term interest rates by the end of 1983. If the economists predicting an interest-rate decline are proved correct, he said, he hopes they will call him and explain their prescience. Given rising public and private credit demands, there logically should be no reason to expect an interest-rate decline.

While optimistic about recovery, Dr. Leonard said he does not share other economists' optimism about the low risk of re-inflation. Underlying inflationary factors admittedly have remained encouragingly low through the first part of the recovery, he noted. Despite the AT&T strike (in progress at the time of the seminar), labor contracts negotiated during the recession are in place and should help ease upward pressures on wage rates.

But if the Federal Reserve begins to increase the money supply at an unacceptably rapid pace as it was doing until recently, said the self-avowed monetarist, a "favorable outcome" on inflation is not assured. Public expectations about inflation play a role in determining actual rates, he explained, and if a widespread attitude that the Fed is no longer serious about monetary restraint should arise, the result could be another round of inflation. The public has not forgotten the inflationary 1970s, he said.

Fortunately, the Fed's recent indications that it is clamping down on money-supply growth could keep inflationary expectations under control without aborting the recovery, he said.

Robert Manion, Michael Barry, and Michael Reese of Arthur Andersen & Co. divided responsibilities while presenting the results of the jointly sponsored Bank Administration Institute/Arthur Andersen bank-strategy study. A major conclusion of the study is that banks will continue to enjoy competitive advantages over thrifts and non-bank money-market funds and retain their historic market share through the rest of the decade. While there will be a significant decline in the number of banks — particularly among those with less than \$100 million in assets — the attrition will not be nearly as great as has been predicted by other sources, Mr. Barry said.

Copies of the study are available at \$40 each from Arthur Andersen & Co., P. O. Box 1022, Tinley Park, Ill. 60477. ●●

Fed OKs HC Brokerages

The Fed has approved discount brokerage as a service that is generally permissible for bank HCs.

At an open meeting in Washington, D. C., last month, the Fed agreed to add both securities brokerage and securities credit activities to the permissible list, as part of amendments to Regulation Y.

District banks have been delegated to approve applications for such services, effective September 9, the date new Regulation Y regulations were effective.

The discount-brokerage provision is expected to encourage banks to take the HC route in offering this service, rather than offering it through banks.

Advisory service for discount brokerages still is prohibited, although the Fed indicated it will reconsider the issue and might grant permission for limited advisory service in the future.

Other changes in Regulation Y remain as presented in the original proposal made last February.

BMA Information Center Accepts Students' Work

Four Mid-Continent-area bankers have had their project reports or marketing plans accepted by the information center of the Bank Marketing Association. All were graduate students of the 1983 BMA School of Bank Marketing at the University of Colorado, Boulder.

The contributions — along with 16 others — were judged by the BMA's information-services council as representing the most outstanding academic work that demonstrates the proper application of marketing principles.

The four bankers and their topics are: William L. Devore, assistant vice president, Bank of Waukegan, Ill. — "The Community Bank and Cable Television"; John W. McKenzie, president, Associated Bank, Appleton, Wis. — "Plan for the Development and Management of Business Accounts by an Extremely Small Community Bank with Minimal Market Share"; Michael J. O'Connor, market research section manager, BancOhio National, Columbus, O. — "Branch Office Performance Analysis: a Measurement of the Profitability of the Branch Network"; and Marilyn W. Pharr, marketing officer, Republic-Bank Corp., Houston — "The Re-Designing and Re-Targeting of 'Prime Interest' — an Employee Publication for RepublicBank Houston."



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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 electroni-



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.

cally 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."

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.

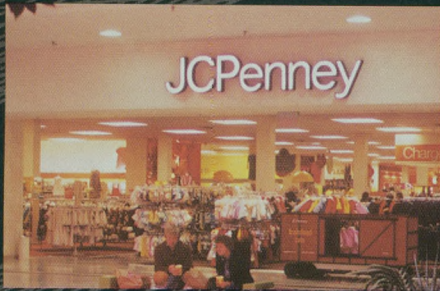
With certain exceptions, the draft of the bill passed by the House subcommittee on consumer affairs and coinage also would make it illegal for businesses to reveal customers' credit-card account numbers.

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.

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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

tality 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."

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

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

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."

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 men-

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

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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!" ● ●

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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-Scandinavia promotion it sponsored in February, says Hank Sampson, vice president/marketing. The Scandinavian 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 Scandinavian and German. Anything with a Scandinavian 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 mid-winter "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 Luton 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 pre-

mium. 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." ●●

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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.

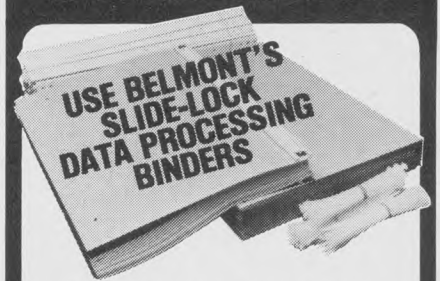
The First of America logo is highly visible on the side of the hot-air balloon which various affiliates planned to use in special promotions throughout the summer. The balloon, says Daniel



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

R. Smith, HC president, is a symbol of First of America's belief that Michigan's economy is rebounding.

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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

dent/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 cus-

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

"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."

accounts," says Roy Alexander, author of the book *Secrets of Closing Sales*.

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 roundup 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, presi-

dent-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

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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.

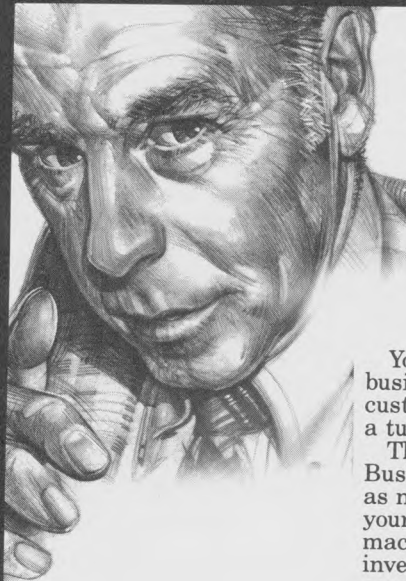
In contacting high-balance prospects, Leader Federal's three-person business-development staff attempts to discover what services the prospect is currently using and what services will be needed. Just letting customers know the range of services Leader Federal offers can help stimulate business, Mr. 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.

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gressiveness 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 fi-

nanced 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. ●●

● Several award-winning financial-institution promotional activities are among 60 case histories from more than 40 different industries included in an "Incentive Casebook" published recently by National Premium Sales Executives (NPSE). Copies are available from NPSE, 1600 Route 22, Union, NJ 07083 at \$39.50 each, postage paid.

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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.

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)



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

Four Fact-Filled Manuals for The Bank Director

Every Director Should Have a Copy of Each One



BOARD REPORTS . . . for The Bank Director

\$24.00

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

PLANNING THE BOARD MEETING

\$8.00

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

EFFECTIVE SHAREHOLDER MEETINGS

\$14.00

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

RESPONSIBILITIES OF BANK DIRECTORS

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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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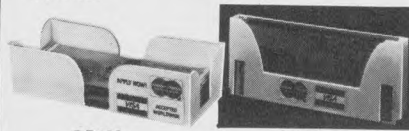
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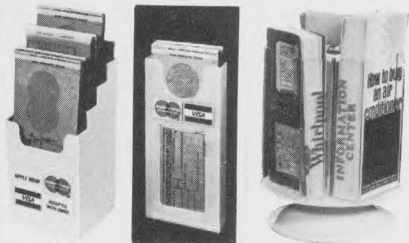
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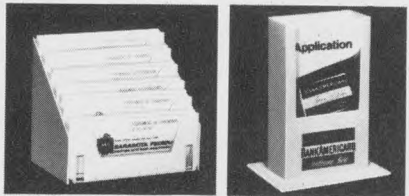
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FACT.”

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 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.

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-

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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

Everybody's Bank.

Whoever you are. Whatever you do. And wherever you're going... today and tomorrow. There's really only one Akron bank that's right for everybody. Centran Bank. We're out to be everybody's bank. And we mean everybody. And we mean just a lot of time and money telling you just how great they are. We're taking a different approach. We at Centran want you to know just how great we think you are. And how much your business means to us. And how hard we'll work to get your business—and to keep it. Whatever you need from a bank, you'll find at Centran. More service. More convenience. More people who really care about you. We think everybody in Akron is ready for everybody's bank... don't you?

Centran Bank
Centran Bank of Akron

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.

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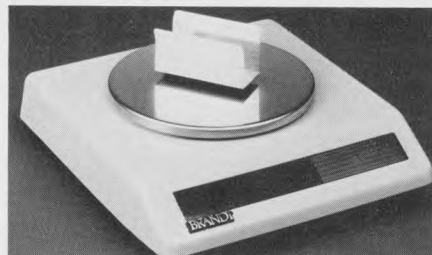


• **Harland.** ColorCovers™ is the name of a new series of three-ring check binders with covers featuring a photo-like finish. They're available in four

scenes — MillPond™, Mountain Village™, Candy Counter™ and Streamers™. Each cover is protected with a waterproof polyester film lami-

nate 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

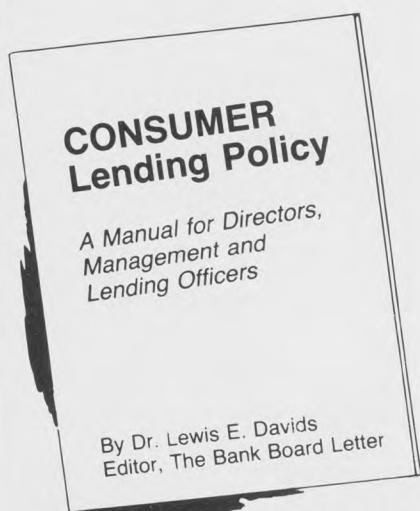


system will indicate whether the straps are correct or in error. The unit also counts currency, acting as a piece counter. For more information, circle 61 on Reader-Response Card.

• **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



200 Pages \$25.00

Bank directors don't get involved in consumer lending, per se, but they do get involved in formulating consumer-lending policy. In order to formulate such policy intelligently, they MUST be familiar with the broad scope of consumer lending as well as the pitfalls such lending can hold for a bank.

Dramatic increases in personal bankruptcies call for new policies in the consumer-lending area. State usury laws are being revised or preempted by federal statutes. Existing "rule of thumb" lending practices aren't always valid in to-

day's changing environment. This 208-page manual includes an array of consumer loan policies in force at various-sized banks, provides checklists of topics on installment-credit policy and procedures and policy components; model application forms; an overview of the Federal Reserve's consumer regulations; the Federal Reserve Functional Cost Analysis of the installment-loan function; installment-loan department plans; consumer-credit terminology, and bibliography of reference materials on installment loans.

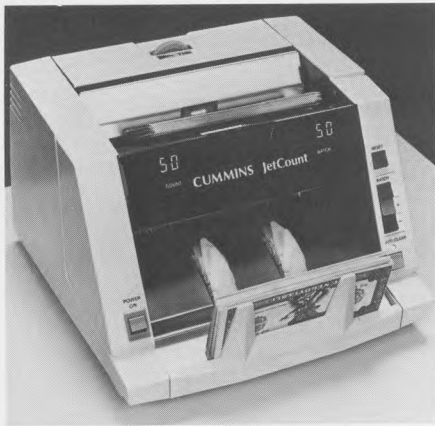
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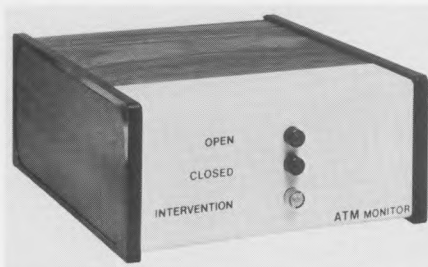
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amounts are preprogrammed into the unit, enabling an operator to call them up at any time by pressing the batch key. It features an automatic restart that automatically feeds bills into the machine when the previous count is removed from the stacker. 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

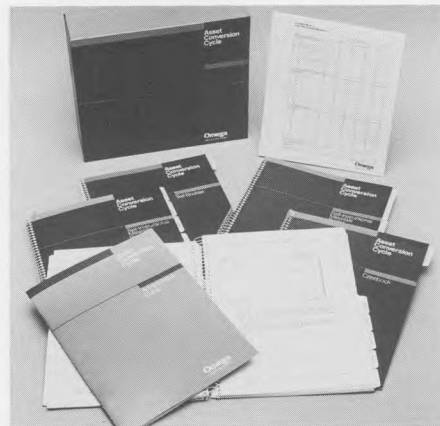


responsible for its maintenance. The unit is 2" high x 4½" wide x 5¼" deep. For more information, circle 66 on Reader-Response Card.

• **ATM Network Management Corp.** The SATM Systems Division has reintroduced 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 commer-

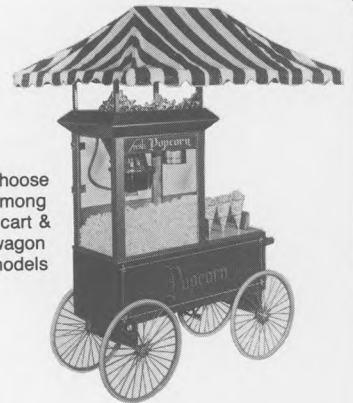
cial deposit bags and large deposit envelopes that ordinarily would be too large for a regular ATM deposit drawer. For more information, circle 67 on Reader-Response Card.

• **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-



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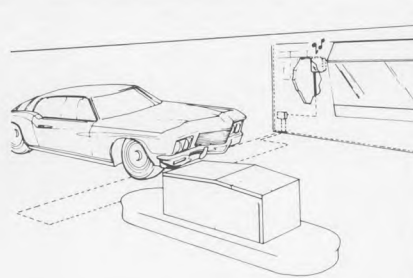
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Bank's Photo-Restoration Service Results in Considerable Good Will

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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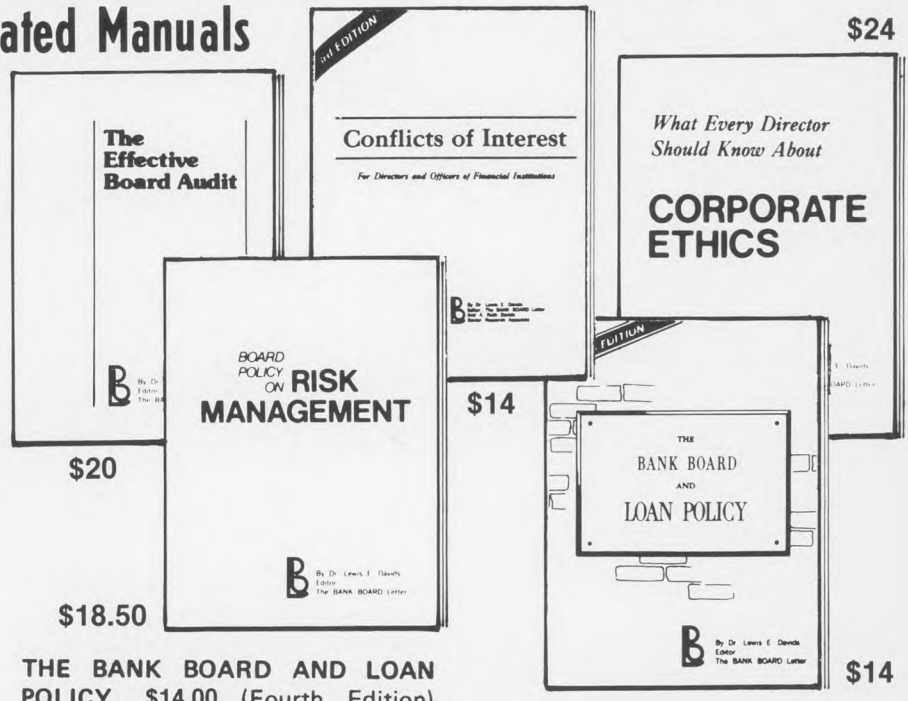
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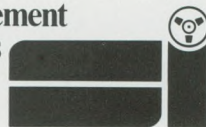
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Correspondent-Service Changes Revealed in Study

ALTHOUGH there are growing opportunities within correspondent banking, market supply of correspondent services is widely diffused among a variety of competitive players, according to a recent study by Trans Data Corp.

In addition, service providers are increasingly specializing in services by defining their marketplace in terms of their comparative advantage over competitors.

As a result, the correspondent-services industry is undergoing a rapid change, characterized by growing competition and an increasingly segmented and specialized marketplace for services.

One of the traditional cornerstones of this industry has been check-processing services provided on a correspondent basis. As the cost of check-processing hardware declines, however, most analysts agree that institutions may be expected to increasingly bring these functions in-house.

Already, according to the survey, almost a third (32.1%) of commercial banks with deposits between \$50 and \$100 million currently obtain check-processing services in-house. In addition, more than half (55%) of respondent commercial banks within the \$100- to \$500-million-deposit stratum do so.

Nevertheless, even though institutions may be expected to bring their check-processing operations in-house, a substantial percentage of thrifts (more than 90%) currently obtain these services from outside sources; a condition resulting from the rapid pace at which thrifts were authorized to offer various transactional services.

Within this industry segment, however, a number of competitors already have established a firm toehold by capitalizing on opportunities within this developing market. Specifically, survey results reveal that close to half (48.4%) of thrifts with deposits between \$50 and \$100 million currently obtain check processing from either the Federal Home Loan Bank Board or a service bureau. Moreover, approximately 40% of larger thrifts also obtain check processing from these two correspondent agents.

From another perspective, the survey identifies services that are rapidly approaching the most prolific period of their product-life cycle. Not surprisingly, these services are represented

by EFT products such as ATM, automated clearing house (ACH) and wire-transfer processing. Along these lines, a substantial percentage of institutions have yet to develop the operational capability to support these EFT services and must rely on their correspondent for processing and technical support. As such, only 19% of smaller commercial banks and approximately 10% of all thrifts process ATM transactions in-house. In addition to ATM processing, well over 70% of smaller commercial banks and thrifts, with deposits between \$50 and \$100 million, currently obtain the correspondent services of outside agents for ACH processing and wire transfers.

Although survey results suggest a strong demand for EFT correspondent processing, the study cautions that an interpretation of these findings must be balanced by the competitive stature of various players within these service markets.

Within the EFT processing arena, a number of competitors have captured relatively large segments of the market. In many cases, these competitors maintain an expertise in specialized areas, such as data processing, that enables these agents to provide efficient services at a relatively low cost. As a result, while 19% of smaller commercial banks process their ATM transactions through an individual bank correspondent, an almost equal percentage process through a service bureau (13%) or through a bank HC (14.2%).

Within the ACH-processing sphere, the impact of several competitive agents on the \$100- to \$50-million commercial-bank-deposit stratum also is apparent, particularly among respondents that obtain ACH services from the Fed (20.2%) and bank HCs (15.4%). As a result, although demand may be strong for EFT services provided on a correspondent basis, this market will continue to be affected by further segmentation and specialization that currently characterize the correspondent environment.

Along with the changing nature of services, factors used in selecting or evaluating a correspondent bank for processing also are undergoing a measurable transition. Today, respondent institutions are continuing to move aggressively toward terminal-based banking and on-line branch operations; a movement that requires a correspondent to develop efficient

processing methods and operational systems. As a result, the study identified "accuracy in processing" as the most important factor used to select or evaluate a correspondent. In the future, further segmentation and specialization within correspondent banking may make accuracy in processing even more critical in evaluating or selecting a correspondent bank for processing services.

In order to compete within the current correspondent environment, service providers may consider various options. At least one approach, according to the study, is to define the marketplace in terms of areas in which a service provider maintains a comparative advantage over its competitors. As an aid in making this determination, a complete evaluation of the factors of production; i.e., labor resources and hardware systems, may provide the basis for deciding what areas in which to specialize.

Trans Data's stratified random sample was conducted during the fourth quarter of 1982, across almost 300 respondent institutions with deposits between \$50 and \$100 million. ●●

Speedier Communications For Correspondents Offered by Tymshare

A new service designed to increase the speed and accuracy of communications for correspondent banking is on the market.

Financial Institution Communications System uses OnTyme, electronic message network service operated by Tymshare, Inc., for communication of information regarding correspondent banking. Data is sent and accessed by word processor, small-business computer or Tymshare's personal information terminal, Scanset.

The service provides an audit trail of messages, including dates/times they were sent/received. Messages need be sent only once and are stored automatically for two weeks at no extra cost and for a nominal fee thereafter. Information can be sent to several locations with the same effort and in the same time as to a single location.

The service is capable of aiding a variety of banking functions, including balance reporting, posting of prime-rate changes, supplying information on loan-participation opportunities, reporting large-dollar return items,

execution of bond, security and other investment transactions, quotations of current investment rates and exchange of preformatted funds-transfer instruc-

tions/acknowledgements between correspondent/respondent banks.

Write: Tymshare, 20705 Valley Green Dr., Cupertino, CA 95014.

'Safe Harbor' for Outside Auditors Foreseen With Broader Bank Reviews

THE ACCOUNTING profession, called on in the wake of recent bank failures to assume responsibility in bank audits for evaluation of quality and liquidity, will be given "safe harbor" where established procedures are followed.

Review of the quality of loan and securities portfolios, and of liquidity of the bank, are likely to become a part of standard auditing procedures under a proposal by the Comptroller of the Currency, according to Stuart H. Harden, banking partner, Fox & Co., a nationwide CPA firm.

"The Comptroller's proposal increases exposure of the independent accountant, since the public and regulators will depend on the CPA not only to comment on the fairness of the financial presentation but also on the quality of assets and liquidity of the bank."

Mr. Harden said, "The acceptance of such responsibility will result in additional litigation against accountants. There is danger that the accountants' report would be looked on as a guarantee of bank substance and liquidity."

He noted that no "safe harbor" exists today unless the professional accountant can successfully assert the defense that the responsibility of the accountant "does not extend beyond satisfactory performance of accepted standards."

"In the case of banks, such standards need to be modified and once they are complied with, chances of undiscovered pending bank failures may be reduced," Mr. Harden said. "The Comptroller may be forcing this point, but the time may be right for such action."

Citing recent bank failures that followed shortly after auditors had issued unqualified opinions, Mr. Harden noted that an examination in accordance with generally accepted auditing standards generally has focused on the ability of the bank to meet obligations when they become due without substantial disposal of assets, restructuring of debt, externally forced revision of operations or similar actions.

"The auditor must look beyond traditional generally accepted auditing

standards and develop new ways to approach the solvency of the bank."

Mr. Harden pointed out that traditional measurements accountants apply to an entity to determine its ability to exist and to continue do not apply to a bank.

"A bank is always highly leveraged because that is the nature of the operation," he noted. "The thin equity of a financial institution can deteriorate overnight on a bad loan or loss of collateral value."

"The auditor must devote more time to review the quality of the loan portfolio and the quality of the securities portfolio, which are major assets of most banks and the areas most accessible to insider transactions and fraudulent dealings," he declared.

"The existence of insider transactions and fraudulent dealings through the loan portfolio needs to be considered in development of auditing procedures and the auditor must assure himself that the loan evaluation committee is indeed independent and seriously reviewing quality of credit."

Mr. Harden asserted that the auditor has in the past been primarily concerned with the controls in existence at the bank that enable it to review quality of credit, rather than with the actual quality of credit.

"In the future," he predicted, "the auditor is going to need to review actual credit quality. In the area of securities, the auditor needs to apply qualitative concepts and not simply to measure cost and computational accuracy of accretion and depreciation." ● ●

Electronic Check OK Added to Nova Program By First Interstate

First Interstate Bank of Arizona, Phoenix, has added electronic check approval to its Nova program in which more than 600 Arizona merchants use point-of-sale computer terminals for electronic approval of purchases with certain credit cards.

The small computer terminals now can be used to approve First Interstate checks, checks written on other Arizo-

na banks and out-of-state banks. All Nova merchants can use the system to approve First Interstate checks, and more than 100 stores are utilizing the program to approve checks written on other banks.

"With the Nova system, we are working toward paperless transactions at point of sale," says Bill Dunigan, vice-president and head of First Interstate's research department. "Eventually Nova will eliminate credit card drafts and checks for many retail purchases."

Presently, neither checking nor credit card accounts are automatically debited through the Nova system, he says. "However, the elimination of checks and credit-card drafts would be the next step toward direct debit from point of sale. Presentation of a plastic card for a purchase and automatic debit would be simpler and more convenient."

The check-approval system works this way: A customer presents a red or gold First Interstate card which the merchant passes through the terminal's magnetic reader before keying in the amount of purchase.

The red card is primarily an ATM access card. When it is passed through the reader, a central computer checks the available balance in the customer's account and searches a "hot card" file to determine if the card is lost, stolen, or has been used improperly.

The merchant receives an approval message on the POS terminal if there are sufficient funds to cover the check and a decline message if there are insufficient funds. The merchant also receives a message if the card is "hot."

The gold card is a check-guarantee card that assures the merchant that the amount of purchase will be covered. When the gold card is presented, the central computer searches only the "hot" card file.

For checks written on other Arizona banks and out-of-state banks, the merchant keys in the customer's driver's license number and date of birth. First Interstate computers communicate with computers operated by Telecredit, a Los Angeles-based subscription service, which searches its files to see if the customer is registered as having written bad checks to its subscribers. The merchant receives an approval or decline message.

Merchants pay a fee of 2% to 3½% of the amount of purchase for check approvals using the Telecredit service.

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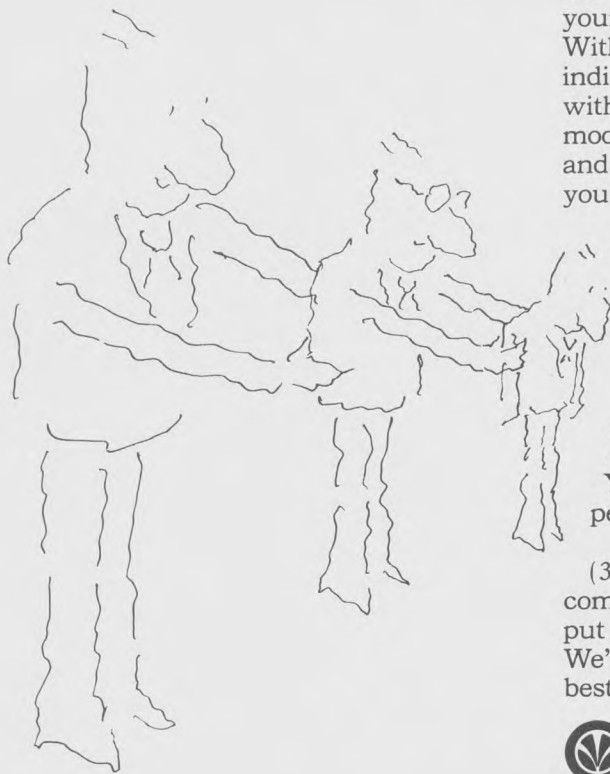
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Portraits Great Way To Build Customer Goodwill, Banks Say

FAMILY portraits given away to thank customers for their patronage stimulated an "unbelievable" response for Colonial Bank, Chicago, according to Olga Hynes, vice president/business-development manager.

"Our customers responded so positively," Mrs. Hynes says. "Some of them said they had not had a family portrait in over 20 years and we had many letters sent to the president of the bank thanking him for sponsoring such an event."

The response was so overwhelming that Colonial had to schedule three weeks beyond the two originally planned to accommodate everyone. During the promotion, a third, and ultimately, a fourth, photographer had to be brought in to handle the load. Mrs. Hynes estimates that as many as 2,700 portraits were taken during the promotion — far beyond what had been anticipated.

Many of the portrait sittings were scheduled for after normal banking hours — evenings or Saturday afternoons — because of the numbers of portraits involved and to accommodate families in which one or more members work. Finding officers to staff the extra shifts wasn't difficult, Mrs. Hynes claims. In fact, she had an overflow of volunteers for some shifts.

Colonial's officers generally appreciated the opportunity provided by the promotion to interact more intimately with customers. Whole families came to the bank dressed in their best clothing and Colonial's officers enjoyed chatting with them in the amiable, no-pressure atmosphere that the after-hours portrait sessions seemed to create. For their part, the families appeared to delight in the extra attention, according to Mrs. Hynes.

Photographers from PCA International, Inc., Matthews, N. C., were "amazing" in their handling of children, Mrs. Hynes says. She found it difficult to believe how easily they got kids to "laugh and giggle" while they were taking photographs.

The original portrait was given to the customer for free; additional portraits or copies had to be purchased. The finished portraits were "artfully displayed" in frames in the bank's lobby sometime after the portrait sittings and customers could come in and pick up their free portrait or place orders

for more. Salesman at the display did not try to pressure customers into buying more photographs than they wanted, Mrs. Hynes adds.

"If a person came in and wanted his free portrait and that's all, that's all he received," she says.

A number of customers who selected only their free portrait came back later to order more. Apparently relatives and friends who saw the initial portrait praised it so lavishly, in some cases, that the customer was compelled to return for more copies, Mrs. Hynes theorizes.

The praise was justified in Mrs. Hynes' opinion. The color and overall quality of the photographs she saw were exceptional, she says.

Colonial did not think of the promotion as a "deposit-builder," says Mrs. Hynes although she adds that there is nothing to prevent such a promotion from being used for that purpose. Colonial, however, genuinely saw the promotion as a means of thanking customers and building goodwill, she says.

Another bank affiliated with the \$250-million institution is planning to sponsor a similar promotion for the same reason around Christmas, she adds.

Family portraits are an ideal way to thank customers in a way they will remember, says Mike Neuman, assistant vice president of First Wisconsin National, Brookfield, which also has sponsored such an event. During difficult economic times, the first non-necessity likely to be cut from the family budget is a "remembrance" like a portrait, he says.

Like Colonial, First Wisconsin found it had to extend the length of the promotion to accommodate the surprisingly large demand. Mr. Neuman said he was grateful that the bank's lobby was sufficiently large that the photographer's area could be set up on one side where it did not interfere with normal bank traffic. Timing the promotion to coincide with the opening of a new branch helped to make the promotion a success, Mr. Neuman says.

24-Hour Banking Available To Blind ChecOKard Clients

Since 24-hour ATMs can't talk yet, they have heretofore been a convenience that only people with sight could utilize.

The 1,600 legally sightless residents of Oklahoma City now can bank around the clock just as sighted people can, thanks to brailled instructions on seven Liberty National ATMs, according to Willis Wheat, executive vice president.

"The ATM definitely has been oriented toward the sighted person," Mr. Wheat said.

Instructions for conducting a transaction appear on a television screen and the customer pushes touch-sensitive keys much like a touch-tone telephone. "This obviously precludes blind people from the convenience or total privacy of doing their banking at an ATM," explains Mr. Wheat.

A four-inch by 22-inch brailled, self-adhesive plastic instruction sheet has been placed at ChecOKard ATMs on a metal ledge near the front. In addition, braille instructions are attached to the ATM at the "deposit," "withdrawal," "insert-card" and "receipt" slots.

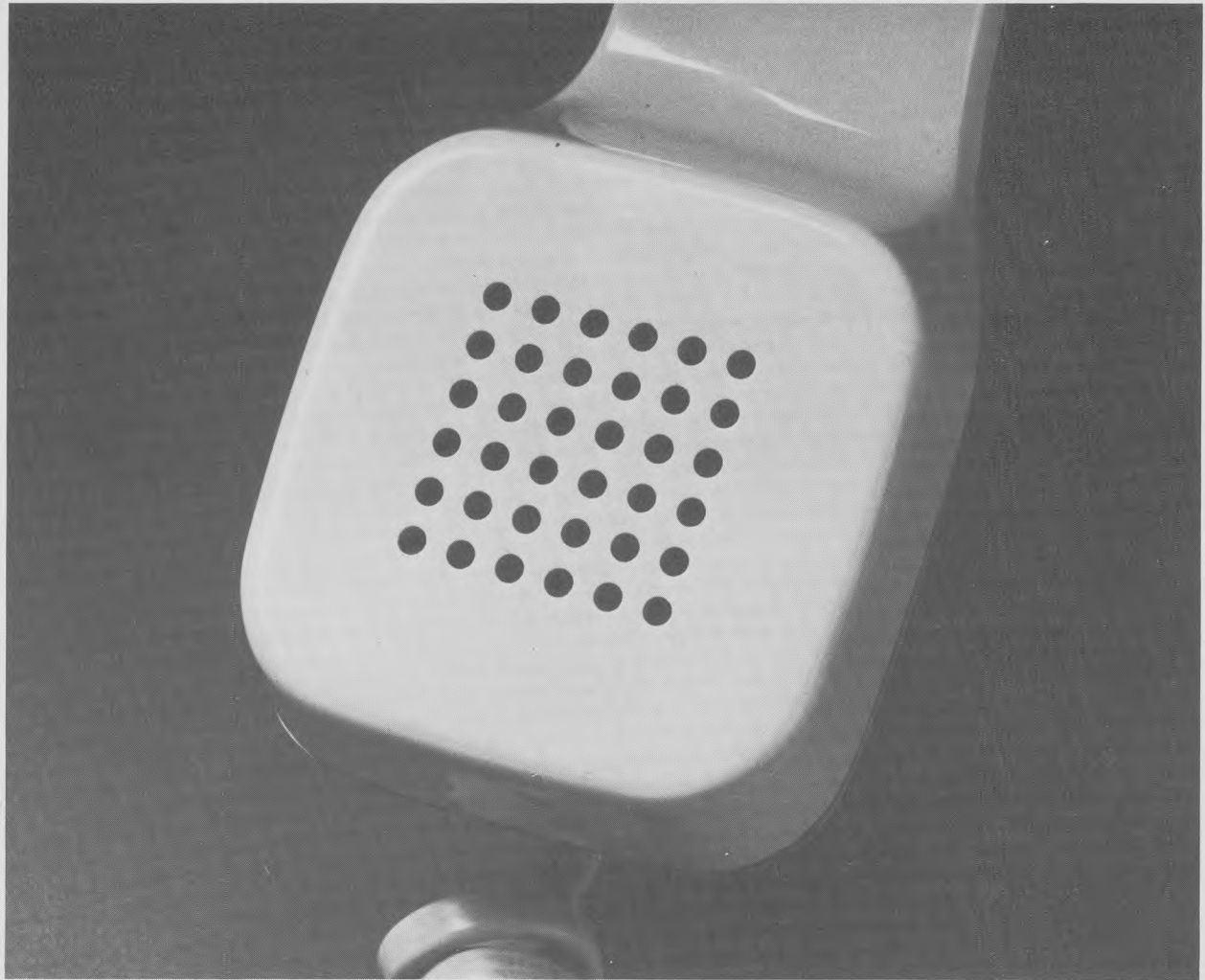
The concept of brailled ATMs was developed by the Junior Woman's Federation of Austin, Tex., three years ago.

"I wrote down every step of every transaction on the ATM machine, along with corresponding audible tones that let you know when you have started or completed a transaction," explains Marge Beaman, project chairperson.

Mrs. Beaman's notes served as the source from which braille instructions were written and tested with blind people at an Austin ATM. The experiment proved such individuals could utilize the brailled ATM with no problems.

Not only are the brailled ATMs helpful in making the blind less dependent, says Judy Poole, a rehabilitation teacher, they also make the sighted aware that the blind have a desire for independence.

● "Corporate Applications of Financial Futures" is a seminar to be sponsored by the Chicago Mercantile Exchange's International Monetary Market division at the del Coronado Hotel, San Diego, October 26-28. The \$250 tuition fee includes a reception, lunch, presentations, and seminar notebook. For more information, call 312-930-3051.



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• **Donald W. Moriarty Jr.**, has joined General Bancshares, St. Louis, as senior vice president. He formerly was first vice president/chief operating officer, St. Louis Fed. He was responsible for operations at the St. Louis Fed's head office and three branch offices in Little Rock, Louisville and Memphis. He joined the St. Louis Fed in 1968.

• **Joseph P. Garbarini** has been promoted to first vice president/chief



GARBARINI



MORIARTY

operating officer at the St. Louis Fed, succeeding Donald W. Moriarty Jr. Mr. Garbarini formerly was senior vice president/controller. He joined the Memphis Branch in 1960 following service at National Bank of Commerce, Memphis. He was transferred to St. Louis in 1971 and had been senior vice president/controller since 1977. Also promoted were Martha L. Perine to vice president/controller and James E. Conrad to vice president/manager, Louisville Branch. Mrs. Perine joined the bank in 1971; Mr. Conrad in 1948.

• **The headquarters building** of the Federal Reserve Board in Washington, D. C. has been dedicated to the memory of Marriner S. Eccles, Fed chairman from 1934 to 1948. Mr. Eccles oversaw the modernization of the Federal Reserve System under the Banking Act of 1935. The building was completed in 1937 under Mr. Eccles' direction and was opened for business by President Franklin D. Roosevelt. The building had not previously had a formal name, but the Garn-St Germain Depository Institutions Act of 1982 designated that it be named in honor of Mr. Eccles.

• **Paul A. Volcker** was confirmed to a second term as Fed chairman by the U. S. Senate by a vote of 84-16 late in July. His term runs for four years.

• **Rayburn S. Dezember**, chairman, American National, Bakersfield, Calif., and president/CEO, Central Pacific Corp., has assumed office as chairman of the Bank Administration Institute for the 1983-'84 fiscal year. He succeeds William H. Dougherty, vice chairman, Southeast Banking Corp., and Southeast Bank, Miami, who continues on the BAI's board as immediate past chairman.

• **Donald R. Monks**, senior vice president/manager, deposit services division, Irving Trust, New York City, has been approved as vice chairman of the American National Standards Committee X9-Financial Services. The committee operates under the procedures of the American National Standards Institute and develops standards for facilitating financial-services operations. X9 committee membership is comprised of 31 organizations, including banks. The ABA serves as the X9 secretariat. Mr. Monks joined Irving Trust in 1972.

CONSUMER Lending Policy

A Manual for Directors, Management and Lending Officers

By Dr. Lewis E. Davids
Editor, The Bank Board Letter

NEW

CONSUMER LENDING POLICY

A Manual for Directors, Management and Lending Officers

By Dr. Lewis E. Davids

Bank directors don't get involved in consumer lending, per se, but they do get involved in formulating consumer-lending policy. In order to formulate such policy intelligently, they **MUST** be familiar with the broad scope of consumer lending as well as the pitfalls such lending can hold for a bank.

Dramatic increases in personal bankruptcies call for new policies in the consumer-lending area. State usury laws are being revised or preempted by federal statutes. Existing "rule of thumb" lending practices aren't always valid in today's changing environment.

This 208-page manual includes an array of consumer loan policies in force at various-sized banks, provides checklists of topics on installment-credit policy and procedures and policy components; model application forms; an overview of the Federal Reserve's consumer regulations; the Federal Reserve Functional Cost Analysis of the installment-loan function; installment-loan department plans; consumer-credit terminology, and bibliography of reference materials on installment loans.

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Strong Economic Rebound Seen By Mercantile Trust Publication

CAPITAL SPENDING will rebound in 1984, particularly in transportation, high-tech and telecommunications equipment, predicts *Business Outlook*, the quarterly publication of the trust department of Mercantile Trust, St. Louis.

Businesses will be able to finance most of their capital improvements through cash flow this year and next, aided by liberal depreciation schedules in the 1981 Tax Act, the publication notes.

It predicts corporate profits in this year's fourth quarter will be 25% ahead of the comparable 1982 period. In 1984, businesses on the average will be turning in 20% profit increases over this year, the publication adds.

The July tax cut helped quicken the pace of an already strong economic recovery in auto sales and housing, the publication notes. It predicts that automobiles will sell at an annual rate of nine million for 1983 and 10 million next year.

As for housing, any increase in mortgage rates next year could trigger a rush to buy as homeowners anticipate even higher rates. The publication warns that most consumers would be forced out of the market if rates rise above 13% to 14%. Housing starts for this year will be at the 1.6-million level, an increase of 100,000 new homes from last quarter's outlook.

The publication's analysts predict inflation will increase sharply in 1984 and interest rates will continue to rise because of substantial credit demands from both the government and private sectors.

In spite of the hard lessons to be learned from three recessions in 12 years, another growth-inflation-recession cycle in the mid-1980s is likely, *Business Outlook* suggests. It lists four reasons:

- The national mentality is that of an "entitled society" that resists any reduction in lifestyle or withholding of aid for people believed to be in need.

- Because of that attitude, federal spending will expand, putting upward pressure on interest rates.

- Monetary policy is likely to continue to accommodate political pressure, despite rhetoric to the contrary.

- The world economy depends on a strong U. S. recovery.

Paul Volcker, recently reappointed Fed chairman, seems aware of the

problem and is likely to provide the monetary stimulus necessary to insure world growth, which should keep the economy growing through 1985, despite the slowly rising interest rates, the publication states. ●●

Sallie Mae Loan Purchases Assist Kansas City Bank

Student Loan Marketing Association (Sallie Mae), Washington, D. C., has purchased existing student loans from the loan portfolio of Home State, Kansas City, Kan., adding more than \$3 million to the bank's coffers for making additional student loans.

"We have seen a rapid increase in demand for insured student loans as more students than ever need this form of educational financing to complete their educational plans," said Linda Steiner, Home State's assistant vice president.

Since its 1979 start in student loans, Home State has provided more than \$7.7 million to student borrowers in the greater Kansas City area by utilizing Sallie Mae's loan-sale program. "By selling a portion of the loans in our portfolio to Sallie Mae, we can obtain the funds we need to assure the continued availability of this vital program," Ms. Steiner added.

The federally sponsored Guaranteed Student Loan Program (GSLP) is the nation's largest single source of student credit for post-secondary educational financing. Under GSLP, undergraduate students can borrow up to a maximum of \$2,500 annually and graduate students can borrow up to a maximum of \$5,000 annually. Students are required to begin repaying the loans on a monthly basis after they graduate or leave school.

Since 1977 when Sallie Mae began operation, it has made available more than \$9.6 billion in liquidity to GSLP lenders, including commercial banks, thrifts, educational institutions and state agencies.

- Changes and trends in consumer investments and financial institutions are analyzed in *The Insider's Guide to the Financial Services Revolution*. Published by McGraw-Hill, the book examines the impact of changing technology, regulation and new competition on the structure of financial institutions.

Cash Bonuses Popular At Largest U. S. Banks

Annual cash bonuses are the most common form of incentive compensation being offered by the largest commercial banks in the U. S., according to an ABA study.

Eighty-seven percent of the 125 banks participating in the survey have incentive-compensation plans in place, with 97 of them offering the short-term incentives, usually as annual cash bonuses, and 66% offering various forms of long-term incentives.

Fifty-one percent of the banks apply the incentive plans to management personnel only, and 36% to both management and non-management positions. Only 3% limit participation to top management and another 14% restrict participation to top and senior management.

The most common form of short-term incentive plan is the "general management plan" — 64% of the banks with short-term plans have this type. These plans cross functional area boundaries and may include top and senior management, heads of major departments and other key officers.

Performance generally is measured over a 12-month period. Awards are determined by such criteria as a bank's return on assets, return on equity and growth in earnings per share or an employee's individual performance.

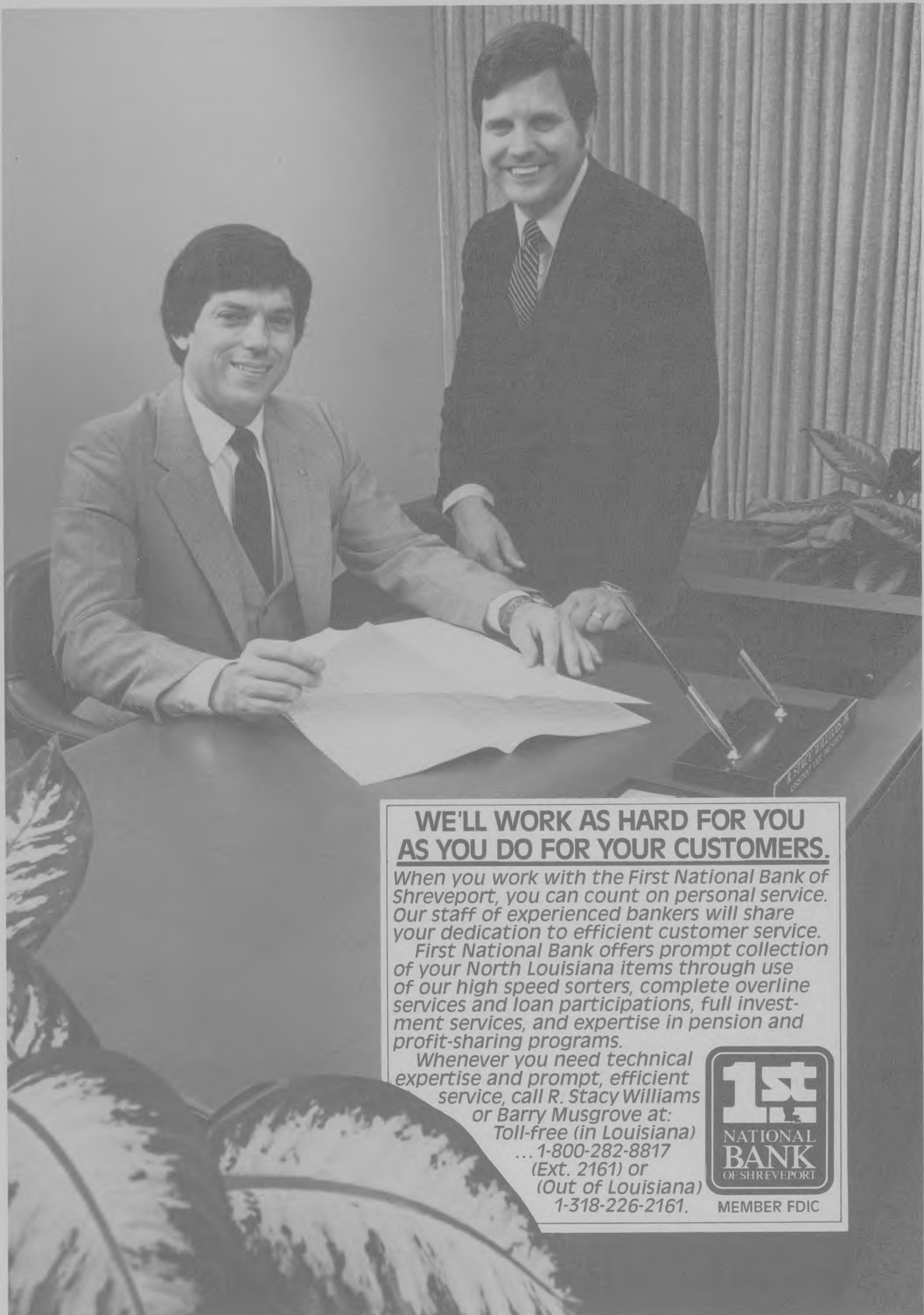
Other areas of a bank where short-term incentives are being used widely are in dealer-bank activities — 46% of banks surveyed reward specialists in municipal and government securities and money markets — as well as data entry, proof and word-processing areas, trust sales and new business, mortgage lending, branch management and equipment leasing.

Downtown Louisville Revived With Bank's Park Project

Citizens Fidelity, Louisville, will fund half of a downtown area park revitalization development and absorb all maintenance costs for at least a decade.

The \$500,000 landscaping project in Jefferson Square Park began this summer and is expected to be completed in time for next year's Derby Festival.

The city and county will split the remaining cost. County Judge/Executive Mitch McConnell said in a press conference announcing the renovation that it's "another example of how the private sector and government have cooperated to restore the downtown area."



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Affluent Use Premier Card for Loans, Many Other Transactions, Visa Says

PREMIER CARD — introduced by Visa a year ago — has developed into an all-purpose transaction card for a bank's up-scale customers as well as a profitable product for the issuing institution, statistics compiled and released by Visa show.

Especially surprising about Premier card's first-year performance has been its significant use as a loan vehicle, says Ronald Congemi, Visa official responsible for Premier card. Cash advances account for a third of Premier-card volume compared to 10% for the traditional Visa card, he says. Moreover, cash advances obtained by Premier cardholders average \$659, four times higher than the cash-advance average for the traditional Visa card.

Mr. Congemi termed the difference "dramatic" and added that it is clear that the higher cash limits on the Premier card are valuable to affluent customers and that they are willing to use them. Initially, Visa had projected an average cash advance of \$250.

Recently released Visa statistics indicate that the Premier card, as expected, is being used for high-ticket retail purchases and has achieved global acceptance as a travel/entertainment card. Financial institutions have reported that the new card is as much as three times more profitable than the traditional Visa card. As of May 31, more than 114 financial institutions — 73 of them in the United States — were issuing Premier Visa cards under a variety of names, including Preferred, Premium, World Card, Executive and Custom Banking. Since its spring 1982 debut, Premier cards have been issued to more than 500,000 cardholders.

Gary Radford, vice president, Lincoln First Bank, Rochester, N. Y., said that studies conducted by his bank show a heavy hotel/travel usage for Premier card. Visa's own statistics show that 35% of transaction volume and 40% of dollar volume is for travel and entertainment.

Mr. Radford and Donald Hoogstad, vice president, Bank of America, San Francisco, confirmed they have been surprised by the sizes of cash advances under the premier card. An average Premier-card cash advance at Bank of America is between \$850 and \$900, while Lincoln First's is about \$935.

Peter Morrow, executive vice president, First National, Albuquerque,

said that Premier cardholders appear to be using the cash-advance feature in lieu of a short-term loan. Lower overhead allows Mr. Morrow's bank to competitively price the cash-advance feature of the Premier card. The Albuquerque bank promotes Premier card interest rates as much as 400 basis points lower than regular loan rates and Mr. Morrow says he has been pleased by how quickly First National has been able to "put out loan dollars."

Among other statistics revealed by Visa:

- Premier card has a higher average retail purchase figure than traditional Visa cards, \$70 versus \$44.

- Some institutions report that over half of active Premier-card accounts have finance charges, a statistic that surprised Visa officials because most issuers initially solicited Premier cardholders from their "convenience" cardholder base or those customers who traditionally paid in full.

- More than 80% of Premier cards are used each month versus 68% for the average Visa card.

- Premier card is used in an average of four transactions per month while the traditional Visa card is used in only two-and-a-half transactions during an average month.

- Outstanding average balances are twice as high as initially projected for the Premier card. The average outstanding balance is \$1,500 to \$1,600, compared to \$639 for the traditional Visa card.

- Due to the higher number of transactions per account, transaction amounts, annual fees and transaction fees, profitability of Premier card is better than the traditional Visa card, banks report. ●●

- **Wenifred O. Pearce** has been named president, Banking Consultants of America, Memphis. He formerly was executive vice president, Virginia Bankers Association. Banking Consultants of America designs and implements employee stock-ownership plans, one-bank and multi-bank HCs, cash-management and operation-efficiency studies, job-evaluation and salary-administration programs and executive-compensation and benefit reviews.

Dimension Gets Setback

A federal district judge in Chicago has ruled that Dimension Financial Corp. must obtain Fed approval of its plans to establish a network of 31 national banks in 25 states before the Comptroller of the Currency can issue any certificates of authority.

Dimension claims that the Fed does not have jurisdiction over its proposed banks because the banks would not offer commercial loans, a fact that places the banks in a "non-bank" category and not subject to the Bank Holding Company Act.

An Illinois bank and several bank trade associations petitioned the Fed to review Dimension's plan for opening the nonbank banks, charging that the plan violates the Bank Holding Company Act.

The judge ruled that the Fed must resolve any bank HC questions raised by the petition before the Comptroller can charter any of the nonbanks.

Dimension is a subsidiary of Financial Investments, Inc., which is a service-corporation subsidiary of Valley Federal Savings & Loan, Hutchinson, Kan.

Easy Answer Selects ADP To Own Switching Facility

Switching facilities for Easy Answer's Electronic Funds Transfer (EFT) System — the largest shared system in Illinois — will be owned and operated by Automatic Data Processing, Inc. (ADP) of Clifton, N. J., it has been announced.

Easy Answer, based in Springfield, comprises more than 100 financial institutions in central and southern Illinois with more than 120 ATMs and point-of-sale devices. Easy Answer processes more than five-million consumer electronic banking transactions annually.

"The addition of Easy Answer to ADP's network family provides an immediate benefit since it adds the important Midwest market to ADP's base of EFT support nationwide," said John C. Elliott, president of ADP's electronic financial services division. "The combination of our product and technical skills with Easy Answer expertise will permit Easy Answer members to significantly augment the services they provide their customers."

ADP is an international computing services firm offering a wide range of data-processing services to more than 100,000 clients from a network of computing centers in the United States, Canada, Europe and South America.

Asset-based financing can be an excellent way to increase your loan portfolio.

As the graph below indicates, asset-based financing is steadily growing. This means that the rewards of an asset-based loan can be greater than ever.

But so can the risks.

That's why if one of your corporate customers needs more than a traditional overline loan, asset-based financing may provide the additional necessary working capital. And anytime you consider asset-based financing, you should make sure you have a strong, knowledgeable partner.

We can be that partner.

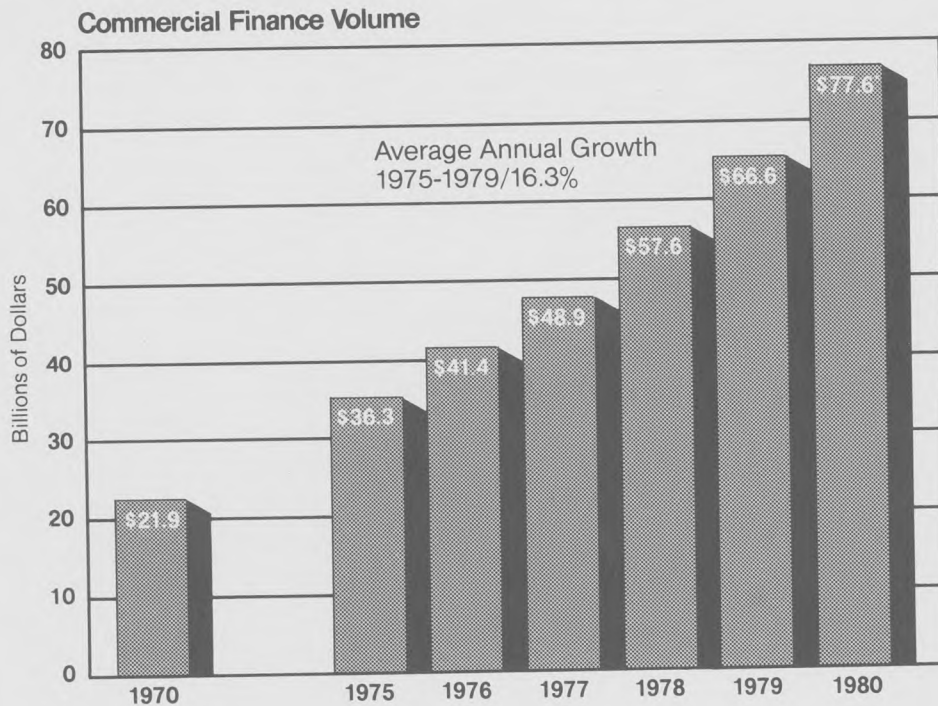
We're Mercantile Business Credit, Inc. And we have the resources, in both funds and personnel,

which can allow both of us to enjoy the profits which accompany successful asset-based financing.

Asset-based financing hinges on our ability to evaluate, monitor and control the collateral.

We finance accounts receivable, inventory and equipment. Then, available credit increases as receivables and inventories increase, allowing a company to avoid inflexible, fixed-term loans.

Find out more about asset-based financing and how it can add substantially to your loan portfolio. Call us at (314) 425-8265.



Asset-based financing has grown dramatically, increasing more than 100% in the past five years alone.

*NFC Estimate between \$76.6 Billion and \$78.6 Billion
Source: National Commercial Finance Conference, New York

Mercantile Business Credit, Inc.

A subsidiary of Mercantile Trust Co., N.A.
Mercantile Tower
St. Louis, MO 63166
Member FDIC

Not available in Arkansas or Louisiana.

MERCANTILE BANK

Financial Planning for Executives Offered by Bank in Joint Venture

PERSONAL financial-planning services for top corporate executives have been introduced in a joint venture by the trust group of Society National, Cleveland, and International Management Group (IMG), according to Gordon E. Heffern, Society National's chairman/CEO.

Society National is among a handful of banks offering financial planning as part of its total banking service to executives and financially independent individuals, he says.

This combination of independent planner and financial institution is a "one-of-a-kind arrangement," says Mr. Heffern. "While we have been providing financial planning to athletes and celebrities since our inception a quarter of a century ago, this financial service has been available only to a select group of corporate executives for the past 10 years," adds Mark McCormack, IMG founder/chairman.

Some corporations pick up the total cost of financial planning for their ex-

ecutives, says Mr. Heffern, while others absorb only a portion.

"One reason for the emergence of financial planning as a popular executive benefit," he continues, "is that it ensures that busy, highly paid executives can avoid spending company time on personal financial matters." He adds that another reason for the growing appreciation of the new service is that companies have a financial interest in enabling their executives to gain maximum value from other benefits, such as stock options, retirement plans and insurance.

Donald R. Noland, vice-president/manager of Society National's executive/professional banking division, says that customers are "assigned a professional banker as well as an experienced financial planner to manage their accounts. They receive a comprehensive management report and specific, personal tax planning advice throughout the year.

"The management report, developed by IMG after an in-depth in-

Bank's Experience, Tradition Spotlighted in Ad Series

An advertising program designed to let the public know the individuals responsible for establishing and maintaining a tradition of quality leadership and professional expertise has been developed for Exchange National, Ardmore, Okla., by Yount-Moeller, Inc., Tulsa advertising agency.

A series of newspaper ads incorporates the theme, "Exchange National . . . a tradition in banking . . . a tradition in growth and personal service for over 65 years."

The first series of ads focused on the top-management team at the bank, with copy emphasizing team members' professionalism, experience and long-lasting relationships within the bank and community. These leaders were singled out as playing major roles in the tradition at the bank.

Another series compliments the individuals who continue the tradition of contributing their expertise to the bank and the community. These ads also highlight the different services offered by the bank and how each individual plays a part in performing those services.

interview, contains a net-worth statement, tax projections, cash flow, insurance and investment analyses and estate-planning recommendations. Throughout the year, the financial planner is available to give the client advice on any financial matter."

Society Corp., parent organization for Society National, will offer the new service through the facilities of its other 11 affiliate banks in Ohio. ●●

Southwest Banking School Applications Now Available

Southwestern Graduate School of Banking 1984-session application forms are available.

The session will be held May 27-June 8 at Southern Methodist University in Dallas. Applicants must have a minimum of five years of banking experience and have been an officer for at least two of those years. Participants attend two-week sessions for three successive summers.

Following the first session, a participant banker solves a series of four written extension problems. Between the second and third sessions, the student completes a thesis or a senior problem, plus an essay. Extension requirements emphasize problems designed to prepare bankers for executive-officer functions.

Application deadline is October 1 for both commercial lending and trust majors. Further information can be obtained by contacting Frances J. Coleman, registrar, Southwestern Graduate School of Banking, Southern Methodist University, Box 214, Dallas, TX 75275.

Baseball-ATM Promotion Boosts Use of Machines

Citizens Fidelity, Louisville, Ky., increased its ATM transaction volume 16% during a six-week promotion recently involving Louisville Redbirds baseball.

The bank gave away 1,600 pairs of Redbird tickets, 1,300 decks of playing cards and 1,200 wallet calculators to encourage non-user participation in electronic banking and make users more aware of other services offered by ATMs.

The bank also sponsored "Citizens Fidelity Night" at the June 19 Redbirds game where more than 26,000 people in attendance had an opportunity to win a 1983 Chevette scooter, three trips to Atlantic City, N. J. and \$500 in cash, all given away by the bank.

Bridge Cox...

Continuing the tradition



Bridge Cox is just another one of the many reasons why the tradition continues at Exchange National. As a Senior Vice-President in the Commercial Loan Department, Bridge deals with Exchange customers every day—assisting commercial loan reviews, loan policies and loan operations. He also identifies and reviews new laws, court decisions and regulations that might affect lending policies of the bank.

Including Bridge's three years with Exchange, he has over 11 years of banking experience. Prior to joining Exchange National, Bridge worked five years as a National Bank Examiner for the U.S. Treasury Department, headquartered in Tulsa. As a National Bank Examiner, Bridge was in charge of the solvency and profitability of the Eastern Oklahoma banking industry. He also worked in the operations area in another Oklahoma bank for three years.

Active in the Oklahoma Bankers Association, Bridge involves himself in community affairs, such as the Rotary Club and the United Way.

People like Bridge Cox are continuing and improving the tradition of Exchange National Bank every day.

Exchange National Bank . . . a tradition in banking . . . a tradition in financial growth and personal service for over 65 years.

Exchange National Bank
and Trust Company
Exchange Plaza—110 W. Main
223 5000

Ad for Exchange Nat'l, Ardmore, Oklahoma, spotlights Bridge Cox, s.v.p./commercial loan officer. Ad copy features experience and expertise of Mr. Cox, including his civic activities.

The best in correspondent banking for 100 years...

The Whitney has provided you with the best available correspondent banking services for over 100 years.

Our many capabilities include: wire transfer, transit-check collections, credit information, computer service, coins and currency, government bonds and international banking.

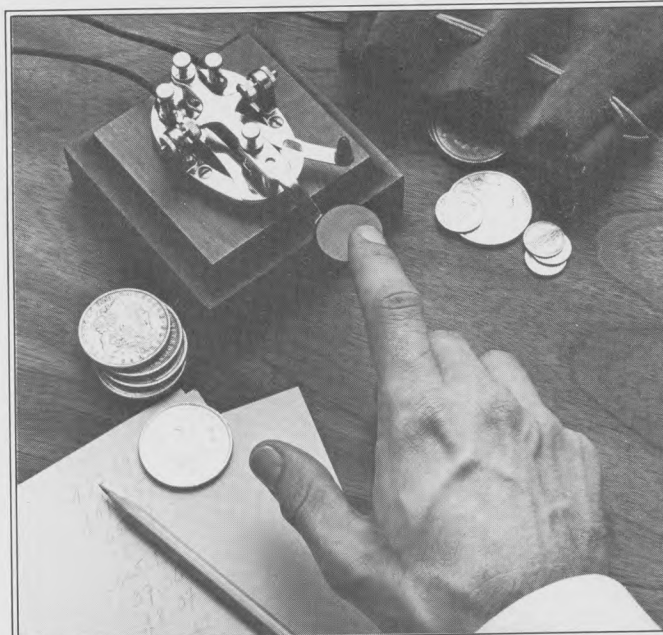
For the best correspondent banking Louisiana has to offer, take advantage of the bank with 100 years of continuous service, the Whitney National Bank of New Orleans.

Use these numbers for the Correspondent Banking Department.

In Louisiana: 1-800-562-9016

In Mississippi: 1-800-535-9151

Nationwide: 504-586-7272

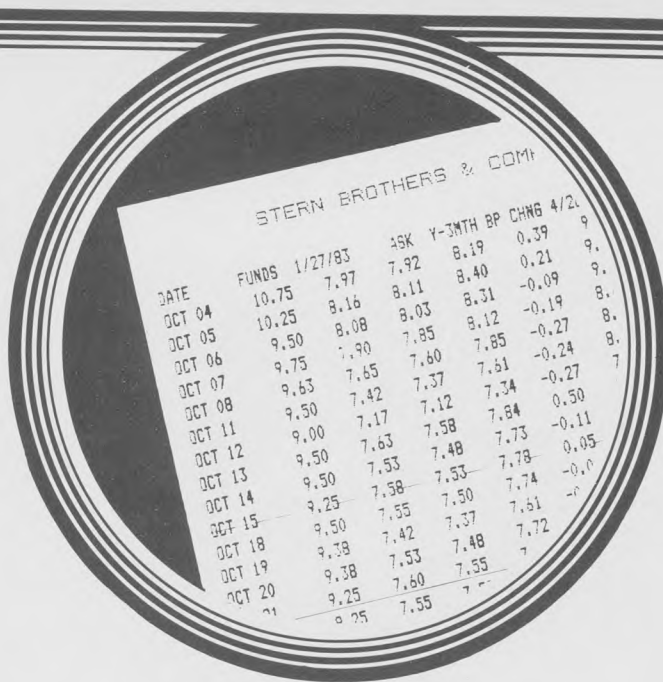


Whitney

1883 1983

A Great Bank for a Great City

MID-CONTINENT BANKER for September, 1983



REQUIRED READING FOR BUSY BANKERS

A weekly bulletin on government and government agency bonds from Stern Brothers & Co. graphically depicts the movement of the various Treasury issues and their yield curve.

Many mid-American bankers find a value in this weekly report that reflects Stern Brothers' expertise in a wide variety of investment securities. Stern Brothers provides a backup to your own capabilities in a number of ways:

- *Supplying appraisal of the government and government agency bonds in your bank's portfolio.*
- *Providing current research reports on both listed and unlisted securities and serving as a source for their purchase.*
- *Making suggestions on changes or bids on liquidation of Treasury and municipal bond portfolios.*
- *Furnishing evaluation of bank customers' securities when used as collateral.*

To receive our weekly government bonds report, or for any other information, contact us now.

SIPC
Stern
Brothers & Co.

Suite 2200 City Center Square
 P.O. Box 13486
 Kansas City, MO. 64199
 816-471-6460

Established 1917

● **Visa International.** Major General Henry J. (Jerry) Schumacher has joined this firm as head of worldwide telecommunications. He is the former commanding general of the U. S. Army Signal Center and former commander of communications for the White House. His worldwide organizational and technological experience in telecommunications is expected to accelerate development of Visa's global telecommunications and automation plans.

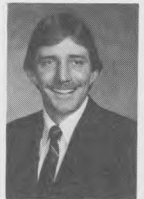
● **LeFebure.** Robert Zawodny has joined this firm as product manager, automatic teller machines. In this new position, he has responsibility for marketing the firm's new ATM product line produced by Docutel/Olivetti. He most recently was a Docutel/Olivetti account manager for Illinois and Wisconsin.



KLOCKARS



ZAWODNY



AMES

● **Peat Marwick.** H. Max Lummis IV has been named a partner in the St. Louis audit department. He had been a senior manager in the department since 1979 and has instructed national training courses on government grants for the firm. He joined Peat Marwick in 1973.

● **Collateral Control Corp.** Edward A. Ames has been promoted to national sales manager and elected to the board of Collateral Control Corp. and Collateral Financial Services. He joined Collateral Control Corp. in 1971 and has served in the Kansas City, San Francisco and St. Paul offices.

● **Barclays American.** Graeme M. Keith has been elected president/CEO, effective when current President/CEO Alastair L. Robinson completes his assignment and returns to the United Kingdom, where he will serve as vice chairman. Mr. Keith is vice chairman, First Railroad & Banking Co. of Georgia, Augusta, and is a former president of the HC's lead bank, Georgia Railroad Bank & Trust Co., Augusta.

● **Associates Commercial Corp.** Hugo M. DeAndrea and Perry A. Nakachi have been elected vice presidents, Donald A. McLeod has been elected

assistant vice president of Associates Commercial Corp. (ACC) and loan-development officer for the business loans division, and Ronald J. Beck, vice president, ACC, has been appointed new business-development officer of the southwest region for the factoring division. In addition, Richard D. Heffelfinger and E. James Pressler have been named vice presidents/operations control for Associates Diversified Services, a subsidiary of Associates Corp. of North America.

• **Citizens Fidelity Mortgage Co.**, Louisville, has purchased the mortgage-loan servicing portfolio of KMS Mortgage & Investment Co., Indianapolis. The \$122-million package pertains exclusively to income-producing real estate, with the rights to originate new mortgage-loan investments for several of KMS's investors, which include Connecticut Mutual Life Insurance, Equitable of Iowa, Jefferson National Life, Capital Holding Corp., American United Life Insurance and College Life.

• **Financial Shares Corp.** Robert W. Klockars has joined this Chicago-headquartered firm as vice president, Karen C. Goldbaum has been elected assistant vice president and Laurie A. Scanlon has joined the public-relations division. Mr. Klockars formerly was executive vice president/director, Farmers State, Lindsborg, Kan. Ms. Goldbaum joined the firm in 1982.

• **American Express.** William M. McCormick has been named president of American Express Travel Related Services Co., a new firm integrating American Express' card, travelers check and travel businesses into a single entity in all countries outside the U. S. Mr. McCormick formerly was president of the card and travelers check businesses.

Daktronics Installs Scoreboard



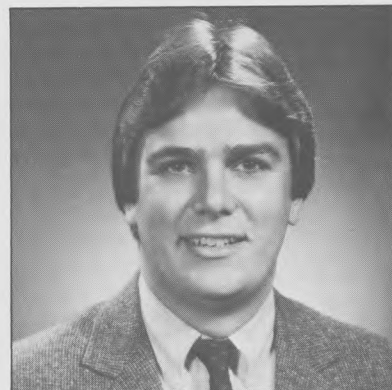
Daktronics, Inc., Brookings, S. D., added to its international distribution of athletic scoreboards and animated message centers when it designed and installed this multisport scoring and animation system at the University of Alberta, Edmonton, Canada, for the 1983 World University Games.

MID-CONTINENT BANKER for September, 1983

We're not just fair weather funds.



Bill Manring
Vice President



Stan Hulett
Assistant Vice President



Bob Holt
Ag Representative



Mark Thompson
Loan Representative

No matter what the economic climate, you can count on us for ag loans.

We know your customers' financial needs aren't always determined by the economy. And at First National, we don't think ag loans should be either.

That's why we often make crop loans when grain prices are poor...or livestock loans when the livestock market is down. Because your farmer customers don't need loans just in the good times.

At First National, we have the resources you need to help you make ag loans when they're needed. In 1982, we loaned millions of dollars to farmers. It's all part of our continuing commitment to agriculture.

First National. You can count on us. Anytime.



First National Bank

P.O. Box 147, St. Joseph, MO 64502
(816) 279-2721

Member FDIC

Affiliate of First Midwest Bancorp., Inc.

Emulating Kentucky Fried Chicken Recommended to Bank Marketers

BANKERS attending the ABA's international banking symposium were urged to consider adopting a consumer-products marketing and strategic-planning approach similar to that used by Kentucky Fried Chicken.

Kentucky Fried Chicken is in its fifth year of sales and profit growth, said Gwain H. Gillespie, senior vice president/chief administrative officer, food/beverage group, R. J. Reynolds Industries.

Keynote speaker Gillespie recalled how "an attitude and usage survey" of consumers helped reverse the sales slump of Kentucky Fried Chicken, which is a subsidiary of R. J. Reynolds.

Although the findings of the study included "a lot of unpleasant truths about ourselves," the company began to make changes, Mr. Gillespie told the bankers.

He cautioned bankers to be careful, "don't try to . . . fix everything at once. If you do, chances are that none of them will get done right. Pick the high-leverage opportunities, the critical issues," he suggested.

After setting priorities, develop a comprehensive plan. Identify every step in the solution and assign one person to be responsible for solving each problem. Make sure there's a date by which each problem should be fixed, he said.

Bankers also were advised to provide only those services their institutions perform best. "If you don't do it as well as your competition, then you shouldn't try," Mr. Gillespie said.

The recommended market survey may show that there are some services you could provide that you don't, or that you should reestablish some that you may have discontinued, he said.

Turning to operating costs, the corporate executive declared that many banks "don't know what it really costs to provide a service." In those situations, "it's impossible to price a service reasonably if you don't know your costs."

He called on bankers to look into their costs for salaries, office space, equipment and supervision on each service their institutions provide. Then, depending on the findings, drop the service, raise the price or consider

improving efficiencies.

Anticipation and creativity are the keys to the future success of commercial bankers, he said. Bankers must be able to anticipate corporate needs and develop creative responses to those needs. "The way to profit is to satisfy customers better than your competitors do," he said.

"The problem is that too many banks don't have a customer orientation. That is particularly true when it comes to developing new products to bring to market," Mr. Gillespie said.

To initiate products, start with a marketing research team to identify customer problems, then a strategic planning team with appropriate senior managers to identify areas of profitability. He suggested that if an idea survives this screening, a team should work on its development. That team should include a department representative, a lawyer, someone from finance, a marketing representative and as many technical experts as needed.

"Corporations always will need the types of specialized financing facilities and services that only the best prepared and most experienced banks can offer," he said. ●●

Bank Introduces New Facility At Annual Fishing Tournament

What better way to promote a new bank branch at a recreational area than to participate as a sponsor of what has been called the world's largest bass-fishing tournament!

That's what First National, Jefferson,



Winner of bass-fishing tournament displays 8.61-pound catch. He was awarded \$105,000 for his feat, which constitutes the largest single award ever paid to the winner of a fishing tournament, according to First Nat'l, Jefferson, Tex., contest co-sponsor.

son, Tex., did recently. More than 7,000 fishermen turned out for the Sixth Annual KYKX Bass Classic, held near the bank's new 24-hour banking facility located on Lake O' the Pines near Jefferson.

"We knew that sponsoring the tournament would be a great way to introduce our new facility to the people of East Texas," said Frank M. McLaughlin III, bank president. "This area of the lake receives over three million visitors a year as one of east Texas' great recreation areas."

The top 10 anglers split a total purse of \$224,000.

Bank Misses Few Chances To Have MPACT on Customers

Merchants & Planters National, Sherman, Tex., loses very few opportunities to MPACT its customers.

For instance, participants in a recent March of Dimes Walk-a-Thon stopped at a refreshment stand set up next to the bank's MPACT ATM machine. Not only did the walkers participating in the charity event get free refreshments, they were treated to a demonstration of the MPACT unit.

"We're the only bank in Sherman with MPACT and we're very excited about that," explains Bill Gray, vice president, "but we realize that our competition is growing. It's like catching a train — we've got to grab every opportunity to be first and innovative that we can because the opportunity won't last forever."

When the bank's first ATM went live in April, 1982, thousands of local residents came by to witness the grand opening. MPACT canholders, T-shirts, balloons and hot dogs were given away, Mr. Gray says. "We also arranged for one of the local radio stations to be on hand throughout the day for live broadcasts," he said.

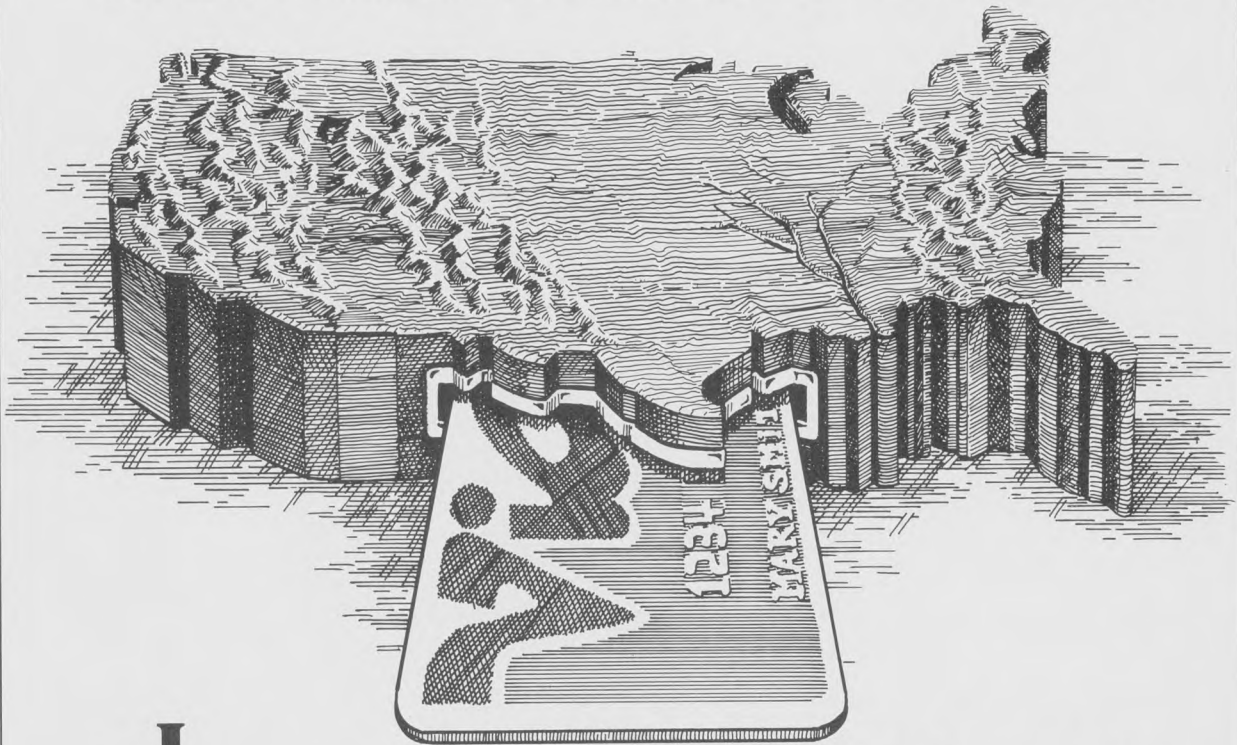
When Merchants & Planters National kicked off its second off-premises location four months later, the fun was repeated.

Outstanding Citizen Cited By First National, Wichita

First National, Wichita, will observe National Citizenship Day September 17 by initiating an award recognizing outstanding contributions to the community.

In observance of the anniversary of the signing of the U. S. Constitution, the bank will present its first annual First Citizen's Award.

INTRODUCING THE UNITED STATES OF VIA.



It's what EFT started out to be. Twenty-four hour nationwide banking convenience.

Since 1976, Via has established itself as the largest and most comprehensive EFT system in Kansas. And today it is the only network which allows you to offer your customers the opportunity to access 2,500 ATMs throughout the nation.

Nationwide banking is something everyone will take for granted in a few short years. But the United States of Via is here right now. Ready to offer you a clear, competitive advantage over other financial institutions.

All it takes to join the revolution is a call to Bryce Carr, 1-800-362-2632.



A financial service of The Fourth National Bank and Trust Co.
P.O. Box 178, Wichita, KS 67259

'Fuel-Pay' Consumer Program Introduced by Bank

A "fuel-pay" program to provide credit services to consumers using fuel oil for home heating will be available soon at Marine Midland Bank, New York.

The plan enables consumers to charge their fuel-oil purchases each month. It will be offered through individual fuel-oil dealers in the state. Marine Midland will act as the credit-billing service for the dealers.

Consumers whose fuel-oil dealers sign up for the program will have two options for budget-plan billing: payment of the entire balance within 30 days and a minimum monthly payment. The first plan is interest free, but the second isn't.

The plan will go into effect in the fall and is not limited to current customers of the bank. Payments can be made by mail or in person at any of the bank's 292 branches.

With assistance from dealers, Marine will set up lines of credit for customers. The credit line will be for fuel oil, parts and service needs.

Bank Donates Van to Center



Barbara Smith (c.), executive director, Buttons & Bows Day Care Center, accepts keys to new van from Alfred H. Kerth III (l.), community affairs officer, Centerre Bank, St. Louis. Centerre donated van to center. At r. is Jack Travers, v.p., Centerre Bank.

Consumers will receive billing service monthly with flexible repayment terms, a detailed statement showing all monthly transactions and an extended-payment plan that doesn't require the consumer to build a credit balance — a feature many dealers require for their own budget-payment plans.

Bank-Sponsored Program Gives Teenagers Basics Of Economic Survival

Basics of economic survival are being taught some 600 Tulsa-area high school students this semester in a pilot program sponsored by that city's Bank of Oklahoma.

Under the "Living Tomorrow Today" program, sophomores, juniors and seniors are examining their personal priorities and setting goals. Then, they learn to accomplish them by choosing careers, setting up budgets, handling credit, supporting dependents and planning for such basics as housing, food, clothing, transportation, savings, furnishings, insurance and entertainment.

Later in the course, "fate cards" are dealt to see how the students would react to life's unexpected — and uncontrollable — surprises.

In addition, they learn how to work with other people in making their plans by selecting partners and role-playing as spouses or roommates.

Teacher guides and reproducible learning aids were developed by ETS & Associates for Bank-Ed, Inc., in San Diego. After the program was introduced successfully in California public schools in 1980, Bank of Oklahoma (BOK) signed on as sponsor of the program in the Tulsa area for the 1982 school year.

"We view the Bank-Ed program as an investment in consumers of the near future," says Samuel B. Hayes III, BOK president. "Personal financial planning and decision-making are becoming more essential as our economic world becomes more complex."

BOK also is furnishing Learning-Allowance kits for nearly 7,000 fourth, fifth and sixth graders in the same four school systems that are using "Living Tomorrow Today" — Tulsa, Broken Arrow, Union and Owasso. Also developed by Bank-Ed, these materials are designed to help parents establish an allowance program to teach children financial responsibility at an early age.

Whatever Your Correspondent Needs Are, Paul Norris Can Help.

Because he can put all the resources of First Alabama Bank of Montgomery to work for you. Call him today at 205/832-8343 to find out more.

First Alabama Bank
of Montgomery N.A.



Bank Hosts Blood Bank

Bank of Naperville, Ill., recently hosted a visit of the Aurora (Ill.) Area Blood Bank on its premises. Twenty-five bank employees donated blood.

The blood bank serves 22 hospitals in six counties, including one in Naperville.

Four Fact-Filled Manuals for The Bank Director

Every Director Should Have a Copy of Each One



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

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

PLANNING THE BOARD MEETING \$8.00

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

EFFECTIVE SHAREHOLDER MEETINGS \$14.00

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

RESPONSIBILITIES OF BANK DIRECTORS \$9.00

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

QUANTITY PRICES

Board Reports	Planning The Board Meeting
2-5 \$22.00 ea.	2-5 \$7.00 ea.
6-10 \$21.00 ea.	6-10 \$6.50 ea.
Over 10 \$20.00 ea.	Over 10 \$6.00 ea.
Effective Shareholder Mtgs.	Responsibilities of Directors
2-5 \$12.00	2-5 \$8.00
6-10 \$11.00	6-10 \$7.00
Over 10 \$10.00	Over 10 \$6.50

The BANK BOARD Letter
408 Olive St., St. Louis, MO 63102

Please send:

- _____ copies, Board Reports \$ _____
- _____ copies, Planning Meeting \$ _____
- _____ copies, Effective Shareholder Meetings \$ _____
- _____ copies, Responsibilities of Directors \$ _____
- _____ Total Enclosed \$ _____

Name & Title _____

Bank _____

Street _____

City, State, Zip _____

(Please send check with order. In Missouri, add 4.6% tax.)

Check Safekeeping Gains Popularity

CHECK safekeeping is proving to be cost effective and an attractive service to both wholesale and retail bank customers, according to the ABA. The service is seen as a solution to problems associated with eliminating movement and processing of paper.

The ever-increasing flood of paper checks written annually that travel through the nation's payment system has reached a record total of more than 36.5 billion, or more than 100 million checks per day. The Fed estimates the current rate of annual increase to be about 5.6%.

to give the customer information efficiently and to reduce statement balancing time and expense.

"The key factor to consider in providing check safekeeping for its customers is whether a bank can operationally provide the necessary account information and quality photocopies promptly on request," said Robert V. Sabeck, executive vice president, Valley National, Phoenix, where a voluntary check safekeeping program for customers has been well received.

Mr. Sabeck says results of the program at his bank are "nothing short of

He pointed out that the program has proved the uselessness of returning checks as a routine procedure. "Historically, we've had an average of just 7/100ths of 1% of our customers request a photocopy of their checks. That's an average of one check for every 1,500 stored. Stated differently, we were sending back to our customers 999,300 canceled checks out of every million checks to be sure we cover the 700 somebody actually would have need for."

Mr. Sabeck estimated that if 45% of the bank's entire checking-account base were to become involved in check safekeeping, at current costs, in excess of \$2 million would be saved annually.

The Atlanta Fed estimates the average cost of check processing at 42 cents per item, which is three to four times higher than banks charge their customers for the service. ●●

"Historically, we've had an average of just 7/100ths of 1% of our customers request a photocopy of their checks . . . we were sending back to our customers 999,300 canceled checks out of every million checks to be sure we cover the 700 somebody actually would have need for."

In their efforts to cut down on the number of times a check is handled, banks have found that the use of micro-filming, micro-encoding and automated retrieval systems make it possible for banks to turn to the truncation process to cut off check handling at a specific point in the processing cycle. The process is identified as check safekeeping to bank customers.

"With financial institutions being compelled to pay market rates on checking as well as savings accounts, cost-cutting measures such as check safekeeping are likely to become more widespread," said Donald R. Hollis, senior vice president, First National, Chicago, and president, National Association for Check Safekeeping (NACS), an ABA-sponsored group.

Since April, 1981, NACS has had a check-truncation project for corporate dividend checks involving the cooperation of some of the nation's major banks. The success of that project has resulted in its continued expansion.

Under a check-safekeeping program, canceled checks are stored at the customer's bank, usually on micro-film records, and a monthly descriptive statement is substituted for the traditional checking-account statement and returned canceled checks.

Generally, the service is offered as an enhanced record-keeping tool that uses storage and retrieval technology

amazing." Forty-two percent of the bank's checking-account customers are voluntarily using the check-safekeeping program — just short of 200,000 accounts — while 20 large commercial accounts are on the program. About four million checks are involved per month.

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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 unreason-

able 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 mi-

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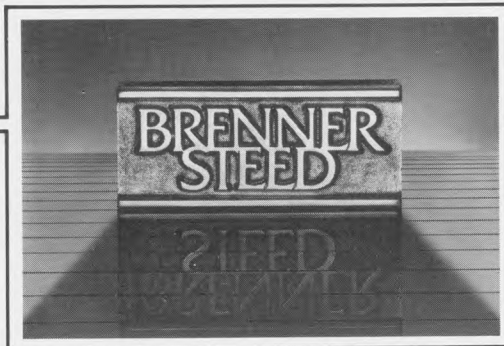
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Adjustability Is Key to Bank Survival, Say Community Bankers in BAI Survey

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 element 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

ket 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 chooses 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

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.

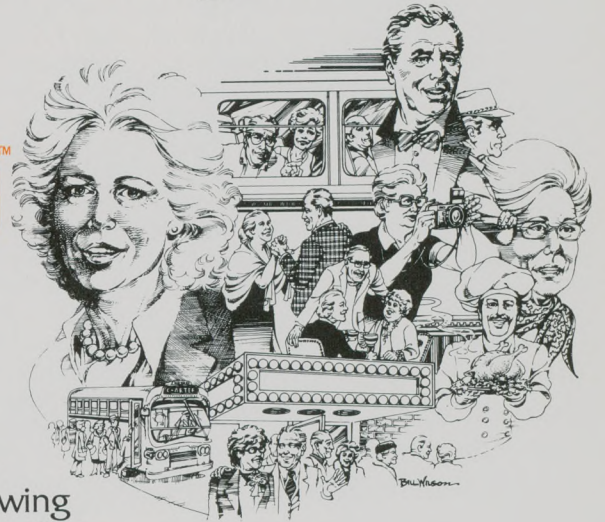
- Large percentage of low-cost funds.

- 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 mar-

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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.

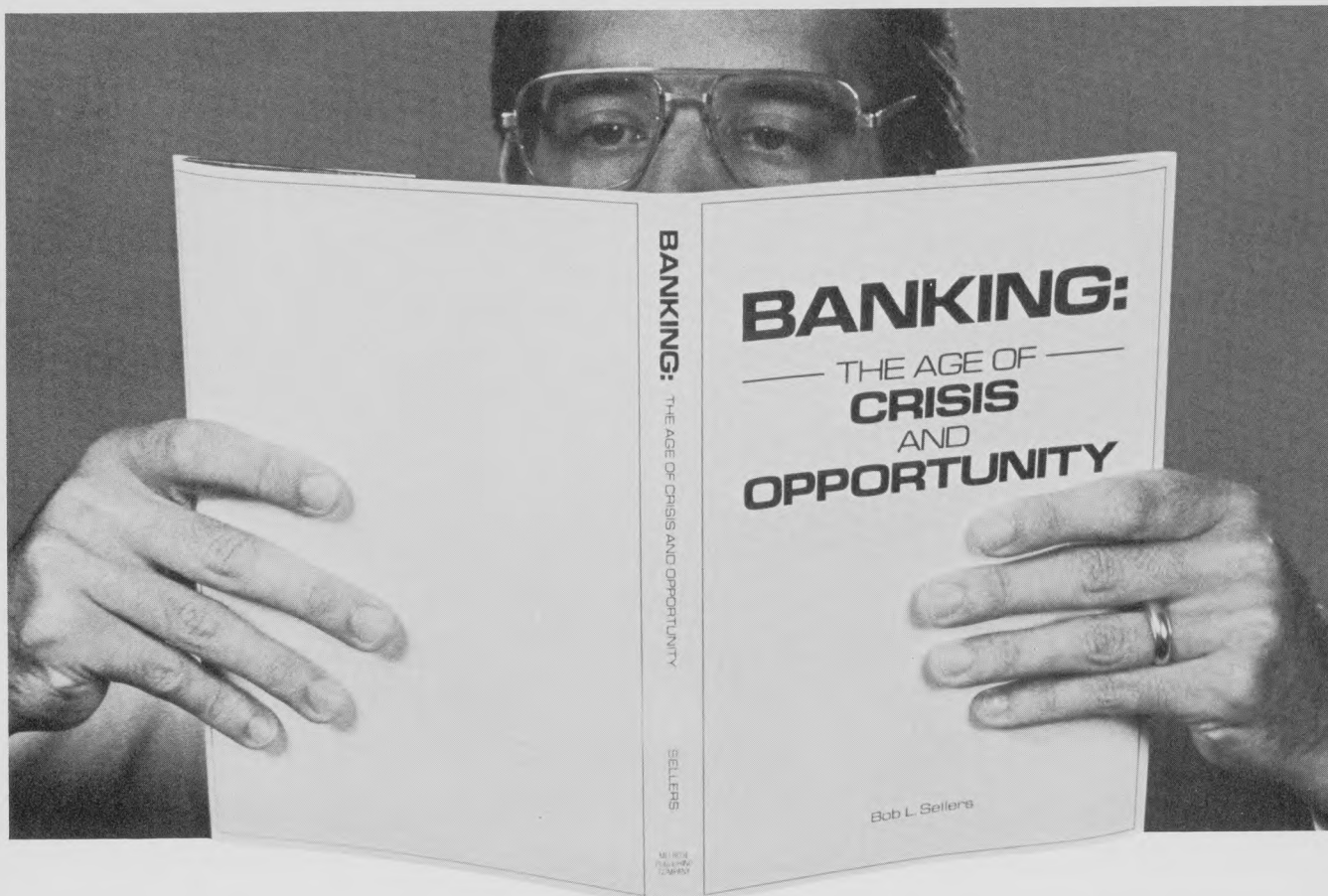
Visa will develop telecommunications facilities serving both dial and leased-line terminals to enable merchants in at least 50 major metropolitan areas to get authorizations via local telephone lines.

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.

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."

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.

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. ●●

able 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. ●●

Loan Workout

(Continued from page 24)

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 profit-

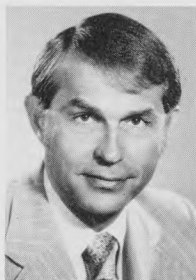
tions of the company's cash flows to determine if it has sufficient cash flow over the short term for absolute needs like payroll and insurance.

● 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." ●●



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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,

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



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.

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, Rad-don, 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 check-books."

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

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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 pres-

ident, 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.

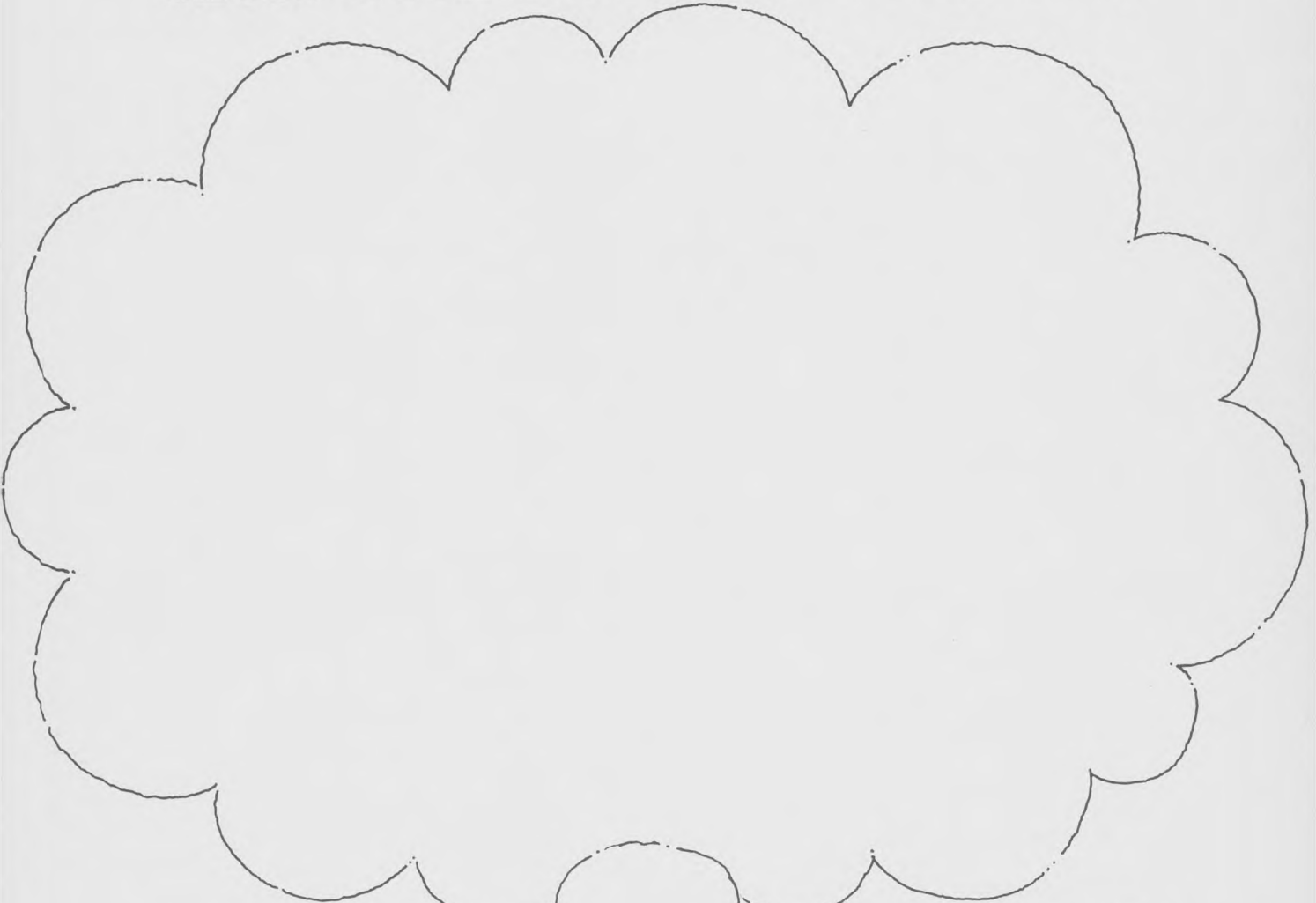
Nevertheless, the potential of earning additional fee income and marketing a *needed* core service around which a client relationship can be built provides considerable incentive to banks for solving these problems and moving in the direction of helping consumers handle their financial affairs better.

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 dif-

ference 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.

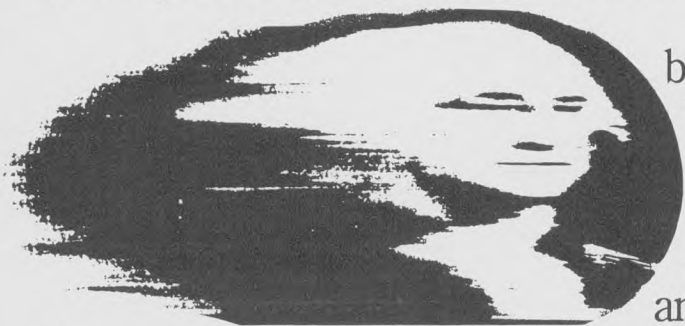
The spokes might include off-premise ATMs, small auto-oriented branches with drive-in windows and ATMs, small, but plush, limited-service branches in luxury apartments or condominium complexes, mini-branches in retail stores and malls and in-home banking.

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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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.

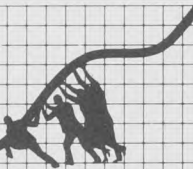
Support documentation for a payment is transferred along with the payment. Invoices, account records, or shipping information accompanies the fund transfer, reducing paperwork volume, time lags and errors.

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

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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.

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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 de-regulated 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-

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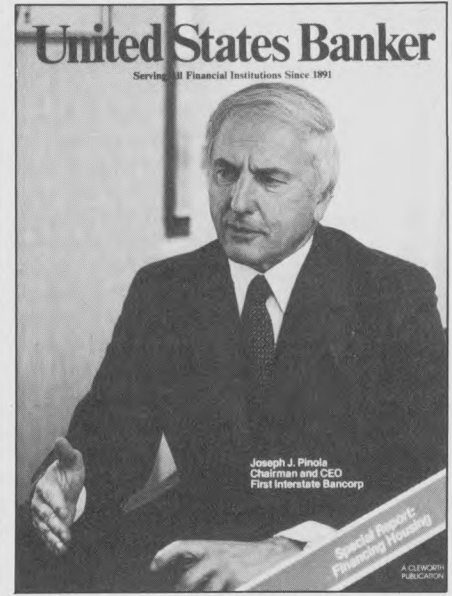
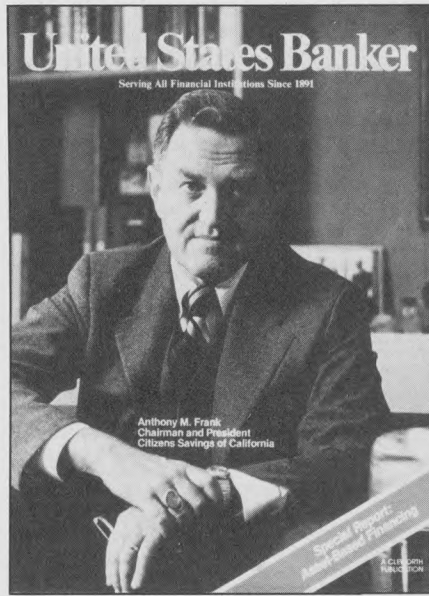
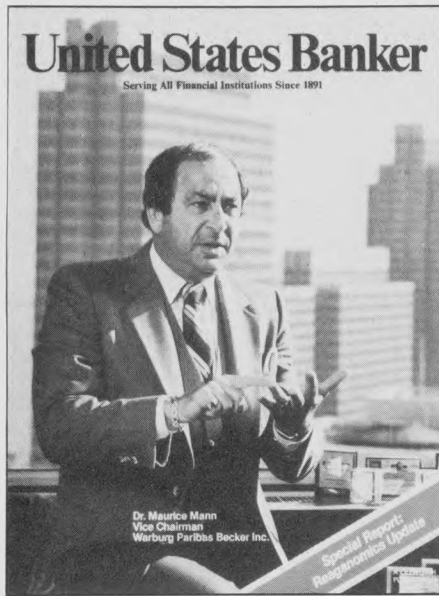
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ing in America is changing radically. This is a *truly turbulent* time for banking, a time when banking and other industries join to form a much broader, highly competitive financial-services industry. This is a time when everyone gets into everyone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

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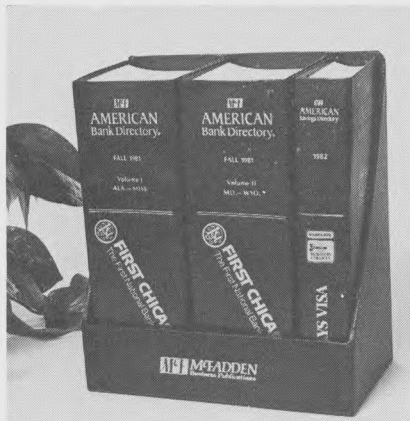


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Index to Advertisers

AgriCareers, Inc.	62
American Bank & Trust Co., Baton Rouge, La. . .	45
American Bank Directory	60
Arrow Business Services, Inc.	37
Bancvest Brokerage Service	47
Bank Board Letter	61, S/18, S/31
Bank Building Corp.	3
Bank Earnings International	4
Bank Marketing Association	57
Bank of America, San Francisco	23
Bankers Trust Co., New York City	6-7
Banking Consultants of America	43
Boatmen's National Bank, St. Louis	64
Brenner Steed Partner Plan	39
Bunce Corp.	38
Center Bank, St. Louis	S/1
Central Bank of the South, Birmingham, Ala. . .	32
Citizens National Bank, Decatur, Ill.	58
Cole-Taylor Financial Group	34-35

(Continued on page 62)



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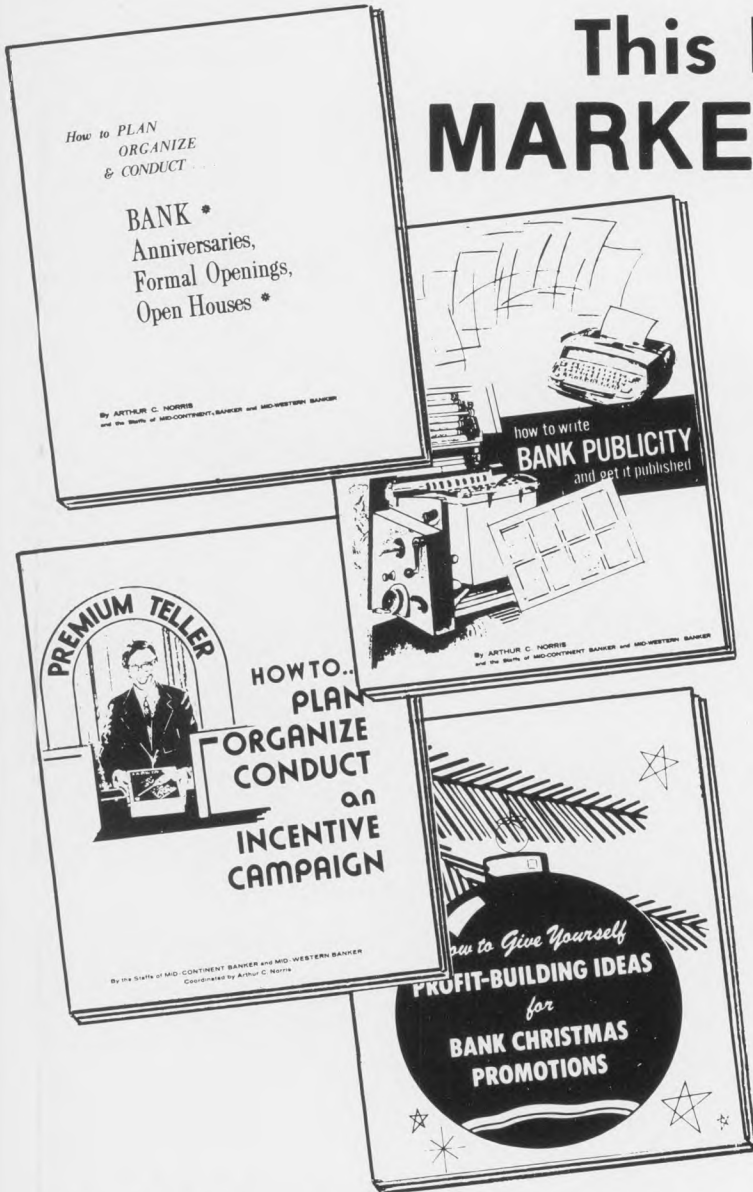
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Commercial Credit Business Loans, Inc.	21
Commercial National Bank, Kansas City, Kan.	35
Commercial National Bank, Peoria, Ill.	49
Continental Bank, Chicago	S/15
County Tower Bancshares	S/9
Deposit Guaranty National Bank, Jackson, Miss.	S/17
Douglas Guardian Warehouse Corp.	50

Federated Investors, Inc.	60
Financial Placements	62
First Alabama Bank, Montgomery, Ala.	S/30
First Lease & Equipment Consulting Corp.	51
First National Bank, Chicago	25
First National Bank of Commerce, New Orleans ..	29
First National Bank, Kansas City	S/19
First National Bank, Louisville	19
First National Bank, St. Joseph, Mo.	S/27
First National Bank, Shreveport	S/21
First Oklahoma Bancorporation	S/5
First Total Systems, Inc.	2
Fourth National Bank, Wichita	S/29
Frost Bank, San Antonio, Tex.	S/7

H B E Bank Facilities Corp.	26-27
Hagan & Associates, Tom	62
Horizons 60	41
Insured Credit Services, Inc.	11
Laacke & Joys	30
LeFebure Corp.	63
Liberty National Bank, Oklahoma City	2
Littlewood, Shain & Co.	17
Loews L'Enfant Plaza Hotel	50
Mellon Bank, Pittsburgh	12
Mercantile Bancorporation, St. Louis	S/23

Midland Bank & Trust Co., Memphis	S/12
Missouri Encom, Inc.	S/32
National Boulevard Bank, Chicago	29
Northern Trust Co., Chicago	31
Security Schools, Inc.	53
Stern Brothers & Co.	S/26
Travelers Express	32
Union National Bank, Little Rock	S/11
United Missouri Bank, Kansas City	31
United Oklahoma Bank, Oklahoma City	S/3
United States Banker	59
Visa, U.S.A.	9
Whitney National Bank, New Orleans	S/25

Financial Buyers Guide Index

Actron, Inc.	BG/21
Bank Board Letter ..	BG/13, BG/17, BG/20, BG/23
Barclays American Business Credit	BG/14
Bavis & Associates, Inc., E. F.	BG/9
Beemak Plastics	BG/18
Belmont Plastics	BG/11
Bronner's Christmas Decorations	BG/10
Cummins-Allison Corp	BG/11
Daktronics, Inc.	BG/10
Downey Co., C. L.	BG/7
Federal Sign	BG/2
Financial Advertising Agency	BG/22
Financial Institution Services, Inc.	BG/5
Gold Medal Products.	BG/21
Grandma's Master Fruit Cake	BG/19
Hyde Park Metalfab, Inc.	BG/15
National Computer Print, Inc.	BG/18
P M Industries	BG/19
Piedmont Software Co.	BG/6
Security Engineered Machinery	BG/14
Systematics, Inc.	BG/24
Wilson Premium Corporation	BG/22

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