MID-CONTINENT BANKER
SOUTHERN EDITION (ISSN 0026-296X) JULY, 1985

Christmas in July?
Banks Start Their Plans for Yuletide!

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MID-CONTINENT BANKER

(Incorporating MID-WESTERN BANKER)

IN THIS ISSUE

Volume 81, No. 7 **July, 1985**

Publisher Retires

Ralph B. Cox retired as publisher of Mid-Continent Banker on June 28. He had served in that position since 1970.

Mr. Cox joined the publication in March, 1947, following graduation from the School of Journalism, University of Missouri, Columbia. He served successively as assistant, associate and then editor before being named publisher in 1970.

RALPH B. COX

Mr. Cox also served as first vice president, treasurer, director and member of the executive committee of Commerce Publishing Co., Mid-Continent Banker's parent organization. Commerce also publishes other business publications: *Life Insurance Selling, American Agent & Broker, Decor, Club Management, The BANK BOARD Letter* and several other newsletters and periodicals.

Wesley H. Clark, president of Commerce, now serves as publisher of Mid-Continent Banker. John L. Cleveland, formerly assistant to the publisher, has been named associate publisher.

CONVENTION CALENDAR

Aug. 4-7: Independent Bankers Association of America, One-bank Holding Company Workshop, Chicago, Marriott's Lincolnshire Resort.

Aug. 11-16: Central States Conference, Postgraduate Course-Graduate School of Banking, Madison, Wis., University of Wisconsin.

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Mostly Bad News for Banks in Tax-Reform Bid

By J. Alan Harkness
Partner
Peat, Marwick, Mitchell & Co.
St. Louis

PRESIDENT Reagan's tax reform proposals contain both good news and bad news for bankers. Unfortunately, the bad news far outweighs the good!

The major provisions can be summarized as follows:

GOOD NEWS

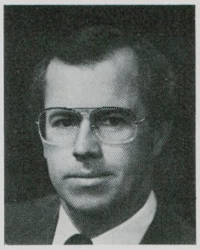
- Corporate income tax rates are reduced.
- A new partial-dividends-paid deduction is provided.
- The ACRS depreciation system is replaced with a new Capital Cost Recovery System.
- The corporate minimum tax is revised.
- Deduction of all entertainment expenses is denied except business meals within limits.
- Qualified retirement plans are affected by numerous modifications and revisions.

The scope of this article does not provide for an in-depth discussion of each of the above listed changes but is intended to alert the reader to the major areas of proposed reform and contains only a brief discussion of the major proposed changes. Bankers should consult with their tax advisors in assessing the impact of these proposals on their bank's operations and for tax-planning purposes.

Because of the number of provisions that would be effective January 1, 1986, pre-year-end tax planning will be especially important. Because of the significance of the proposed changes, bankers should be encouraged to contact their representatives in Washington and express their positions with respect to these proposals.

Following is a brief discussion of each of the proposed changes enumerated above:

Mr. Harkness is partner in charge of the St. Louis office tax practice, associate liaison tax partner for banks, Midwest region bank tax liaison partner and Missouri tax liaison partner at Peat, Marwick, Mitchell & Co. He joined the firm in 1965 and was admitted to partnership in 1974.



BAD NEWS!

- Bank loan-loss reserve provisions are repealed and all previously deducted loan-loss reserves are required to be restored to taxable income.
- Deduction is disallowed for 100% of interest incurred to carry tax-exempt bonds.
- The special 10-year net-operating-loss carryback provision is repealed.
- Use of the cash method of accounting for tax purposes is limited.
- The tax exemption for industrial development bonds, mortgage subsidy bonds and other non-governmental bonds is repealed.
- The tax credit for qualified rehabilitation expenditures and the investment-tax credit are repealed.

Reduced Corporate Tax Rates. Corporate taxable income is currently taxed at the following rates: 15% on taxable income up to $25,000; 18% on taxable income between $25,000 and $50,000; 30% on taxable income between $50,000 and $75,000; 40% on taxable income between $75,000 and $100,000; and 46% on all taxable income in excess of $100,000.

Corporations reporting taxable income in excess of $1 million receive reduced benefit from the graduated rates and those with taxable income in excess of $1,405,000 receive no benefit from the graduated rates but pay tax at the maximum 46% rate.

This existing rate structure would be replaced and tax would be imposed under the following schedule: 15% on taxable income up to $25,000; 18% on taxable income between $25,000 and $50,000; 25% on taxable income between $50,000 and $75,000; and 33% on taxable income in excess of $75,000.

Graduated rates would be phased out for corporations reporting taxable income in excess of $140,000 in such a fashion so that corporations with taxable income of $360,000 or more would pay a flat tax at the 33% rate. This revised tax-rate structure would be effective July 1, 1986.

Partial Dividends-Paid Deduction. The double taxation of corporate earnings distributed as dividends would be partially eliminated by allowing most corporations a deduction equal to 10% of dividends paid to their shareholders. This deduction would be limited to distributions attributable to corporate earnings that have been taxed at the corporate level.

Repeal Special Bank Bad-Debt-Reserve Method. Existing special rules for commercial bank bad debt reserve additions would be repealed effective December 31, 1985, and existing loan-loss reserves would be restored to taxable income in the first taxable year beginning on or after January 1, 1986, or ratably over a 10-year period.

Deny Interest Deduction to Carry Tax-Exempt Bond. Since 1982, a portion of the interest expense attributable to the purchase of tax-exempt obligations has been non-deductible. Currently only 20% of the interest defined as attributable to the purchase or carrying of tax-exempt obligations acquired after December 31, 1982, is disallowed.

It is proposed that the deduction for all interest expense allocable to the purchase or carrying of tax-exempt obligations acquired on or after January 1, 1986, would be non-deductible. The amount of interest expense deemed allocable to the purchase or carrying of tax-exempt obligations would be determined in the same manner as under current law. The current 20% disallowance provision would continue to apply to tax-exempt obligations acquired between January 1, 1983, and December 31, 1985.

Repeal Special NOL Rules. Commercial banks currently are allowed to carry net operating losses (NOL) back to offset taxable income reported in the prior 10 years and forward to the succeeding five taxable years. Most other taxpayers are limited to a three-year carryback and 15-year carryforward. It is proposed that the special carryback and carryover rules for banks be repealed and that NOLs incurred in taxable years beginning on or after January 1, 1986, be subject to the regular corporate carryback and carryover periods of 3 and 15 years, respectively.

The general explanation of this provision states, "The extended carryback period makes it more likely that a NOL of a depository institution will result in a current refund. . . . No justification exists, however, for distinguishing between NOLs of depository institutions and NOLs of other businesses."

It is interesting to note that in 1969 when the law was changed to reduce the allowable bank loan loss reserve percentage from the old 2.4% formula, the net operating loss carryback period was extended from three years to 10 years specifically to provide an extra margin of safely in the case of unusually large bad-debt losses that might exceed the reduced allowable reserve for loan-loss percentages. Now, simultaneous with elimination of all bad-debt reserves, the extended carryback period is to be eliminated.

Cash-Basis Accounting. Banks currently are permitted to file tax returns utilizing the cash-basis method of accounting notwithstanding the fact that most maintain their books and records on the accrual basis of accounting, so long as they originally maintained their records on the cash basis and were required by regulatory agencies to convert to the accrual basis for accounting purposes. Continued utilization of the cash basis of accounting for tax purposes affords banks significant tax-planning opportunities and flexibility. The tax-reform package includes a proposal which would deny use of the cash method of accounting unless the taxpayer could meet both of the following conditions:

- The business has average (three-year moving) annual gross receipts of $5 million or less; and
- No other method of accounting is regularly used to determine income or loss for purposes of reports to shareholders or others.

Taxpayers required to convert to the accrual basis of accounting by this proposal would be allowed to spread the adjustment that results from the difference between the use of the cash and accrual methods ratably over a period not to exceed six taxable years and include this amount in taxable income. This proposal would deny use of the cash method of accounting for tax purposes to all but the smallest banks.

Repeal Tax Exemption for Non-Governmental Bonds. Interest on state and local obligations generally is exempt from federal income tax. Proceeds of certain state and local obliga-

ABA Comments on Tax-Reform Bid

WHILE reserving judgment on the net effect of the President's tax proposals pending further analysis, the ABA has identified provisions having negative and positive impacts on banks.

Key negative provisions, which are identical or similar to provisions included in the Treasury's original proposal, include:

- Discontinuing the reserve method for calculation of the bad-debt deduction. This would be harmful, not just to banks, but to all industries. The bad-debt reserve measures the true economic income of banking and taxes it accordingly.
- Disallowance of interest expense to carry tax-exempt investments. The primary impact will be to increase financing costs of states and municipalities.
- Requiring banks to calculate taxes on the accrual method of accounting. This particularly will affect community banks. Most larger banks already have moved to the accrual method of accounting.
- Limiting the foreign tax credit to a per-country basis. This would particularly penalize past transactions of U. S. corporations doing business overseas.

An additional item of concern not included in the original Treasury proposal is the effective denial of a portion of the interest deduction of banks' corporate borrowers through inclusion of 25% of net interest expense in corporate minimum-tax calculations. This provision raises concerns regarding the value of debt-versus-equity financing and will be further studied by the ABA.

The ABA praised the reduction in the corporate tax rate from 46% to 33% and also noted its support for retention of the corporate graduated-tax rate, which had been eliminated in the Treasury's original proposal.

The ABA also praised the increase in the spousal IRA contribution to $2,000, which allows a total $4,000 contribution for all couples.

The ABA welcomes the current opportunity to separate fact from fiction in the tax debate, and urges that all financial contributions to the cost of government be included when considering effective tax rates.

Banks pay an effective tax rate of 43% when considering those contributions, according to a recent survey of bank taxes conducted by the Bank Administration Institute.

The lower interest banks receive on tax-free state and local bonds represents a federal transfer payment to those governments. Also, the Federal Reserve earns interest on the reserves which banks are required to post and turns the revenue from its interest earnings over to the Treasury.

These contributions, added to the explicit federal taxes banks pay, total 43%, based on responses from 2,252 banks to the 1984 survey.

tions, however, are made available to non-exempt businesses (industrial-development bonds), homeowners (mortgage-subsidy bonds), and others such as students (other non-governmental bonds). It is proposed that interest on obligations such as these issued by a state or local government on or after January 1, 1986, would be taxable if more than 1% of the proceeds were used directly or indirectly by any person other than a state or local government. A special transition rule is provided for refundings of outstanding obligations.

Repeal Qualified Rehabilitation Credit and ITC. A special investment-tax credit currently is provided for qualified expenditures incurred in connection with the rehabilitation of certain old or historic buildings. The credit rate is equal to (1) 15% for qualified expenditures incurred in connection with certain buildings at least 30 years old but less than 40 years old; (2) 20% for qualified expenditures incurred in connection with buildings at least 40 years old; and (3) 25% for qualified expenditures incurred in connection with certified historic structures of any age. All rehabilitation credits would be repealed effective for expenditures incurred on or after January 1, 1986. The regular investment-tax credit also would be repealed effective for property placed in service after January 1, 1986.

Adopt New Capital-Cost-Recovery System. The accelerated cost-recovery system of depreciation (ACRS) established in 1981 would be repealed and replaced by a new capital cost-recovery system (CCRS). The CCRS system is complex. Depreciation deductions computed under the new CCRS system would provide for the cost recovery of real or inflation-adjusted costs of depreciable assets rather than actual cost as under prior methods. In other words, depreciation deductions would be indexed for inflation and, although keyed to original asset cost, depreciation deduction would exceed the actual cost of an asset over its useful life.

The CCRS system would be effective for property placed in service on or after January 1, 1986.

A special rate-reduction-depreciation-recapture rule would prevent taxpayers from obtaining an unintended benefit from excess depreciation claimed under the ACRS method between January 1, 1980, and December 31, 1985, by including in taxable income 40% of a taxpayer's excess depreciation over a three-year period. The first $300,000 of excess depreciation would be exempt from the rate-reduction-recapture rule.

Revised Corporate Minimum Tax. Taxpayers reducing their taxable income by deducting specified items of tax preference are subject to "minimum taxes" which may increase their total tax liabilities. For corporations, the minimum tax is currently imposed in addition to the regular corporate tax. This add-on corporate minimum tax would be repealed and replaced by an alternative minimum tax, similar in structure to the alternative minimum tax currently imposed on non-corporate taxpayers. An alternative minimum tax rate of 20% would be imposed on minimum taxable income. Minimum taxable income generally would be calculated by adding to taxable income the excess of preference items over $10,000, subtracting a threshhold exemption amount of $15,000 and certain other modifications. This proposal would be effective for taxable years beginning on or after January 1, 1986.

Entertainment Expenses. Deductions for all entertainment expenses would be denied including club dues and tickets to public events except for business meals furnished in a clear business setting. For business meals, deductions would be denied for one-half the cost of the meal over $25 per person. This provision would be effective for the tax year beginning on or after January 1, 1986.

Retirement Plan Changes. The proposals contain numerous changes affecting employee stock ownership plans (ESOPs) and other types of re-

(Continued on page 45)

Tax Plan 'Moderately Adverse'

WITH the U. S. economy showing signs of slowing down, the economic effects of President Reagan's tax proposals take on special significance, say economists at Washington University's Center for the Study of American Business, St. Louis.

The Center's economists caution that "the overall effects on economic performance may be moderately adverse, particularly in the short run."

Lowering individual tax burdens while attempting to preserve the federal revenue base (the principle of revenue neutrality) increases the business-tax burden, the economists say. Revenue neutrality does not necessarily imply "economic neutrality."

The proposed reforms eliminate many of the powerful incentives to capital formation and residential construction that were the reasons for previous tax reform. Over the five-year period studied, the removal of these specific incentives more than offsets incentives associated with a general reduction in marginal tax rates, the economists state.

Using the Washington University macro model of the U. S. economy, the economists predict that GNP would be 1.6% lower at the end of the first year of the proposed tax changes than it would be under current tax law. Their computer model predicts a return to the current GNP growth path after five years but a cumulative loss of $76.5 billion in output during that period.

Other key economic factors would be adversely affected in the early years of the Administration's plan, and similarly return to prior trends over a longer period. Unemployment would rise by .8 percentage points the first year but would near its original path after five years. Housing starts could drop by one-seventh the first year but be slightly above the level expected under current tax law after five years.

The current proposal softens the blow to business investment in equipment from what the November, 1984, Treasury version would have inflicted. Nonetheless, annual spending on business equipment would average some 4.5% less over the first five years than if the reforms were not passed. Investment in structures would decline 2.5% the first year but rebound to nearly a 2% increase over the projections for current tax law in the fifth year.

The economists also found that the "revenue neutral" proposals would increase deficits. Their computer analysis indicates that cumulative federal borrowing would grow $54 billion during the first five years.

The economists acknowledged that "some of the gains from improving the neutrality of the tax system — encouraging economic decisions based on market rather than tax considerations — could dominate in the longer run. But," they concluded, "the transitional costs emphasized in this study are likely to prevail initially."

TVs, VCRs Hot Tickets to Deposit Inflows

Premiums Still Work for Banks!

THE stakes have been raised in the premium game.

Just a few years ago, premiums offered to attract depositors consisted mostly of low-dollar items such as glassware, toasters or stuffed animals. Today, the most popular items are the high-dollar electronic gifts.

"Through the first quarter, incentive campaigns have predominantly included high-tech electronics," says Jay Keller, president, Keller Marketing, Alliance, O. His company markets financial-premium programs to banks.

"The key successes have come from TVs, VCRs and microwaves. The campaigns have had as their basic objective the lengthening of maturities," he says.

"This format will continue to be used because it works. Rates are low, the programs are cost-effective and easy to handle. Typically all the merchandise is drop-shipped to the customer," Mr. Keller says.

This opinion is echoed by John Connelly, chairman, J. Edward Connelly Associates, a Pittsburgh-based financial marketing company.

"Prior to deregulation, $10 and $20 gifts were used in accordance with federal limitations — now it's high-tech electronic items," Mr. Connelly says.

In addition, continuity programs — which encourage periodic, repeated deposits by the customer — are becoming increasingly popular, Mr. Keller says.

"Low interest rates, the need to build multiple-service customers and anticipation of the removal of interest-rate ceilings from passbooks in 1986 are key factors. I see a great increase in continuity programs," Mr. Keller says.

In particular, the potential of continuity programs in cross-selling has hardly been touched, he adds. Mr. Keller says he prefers Pfaltzgraff dinnerware and giftware for continuity programs because it is quality merchandise, U. S.-made and offers a much broader selection to the customer than just the basic place-setting of a few years ago.

Also becoming popular are "theme" promotions. For example, some banks have offered "summertime" premiums, including gifts such as coolers, binoculars and other outdoor products.

Mr. Connelly points to the successful promotion at Bethalto (Ill.) National that increased the bank's deposit base by 5% last year. The program's success has prompted bank management to stage an encore based on the theory that when something works well, why change it?

The $21-million bank had used premiums to acquire deposits in the past, and the bank was ready to try it again last summer, says Ronald Bollinger, vice president.

He turned to J. Edward Connelly Associates, Pittsburgh, a major financial premium firm. "Our goal was to attract $1 million in deposits," Mr. Bollinger says.

The program relied mostly on General Electric appliances and home electronics.

Gifts ranged from a pen-and-pencil set for a $1,000 deposit to an Apple IIE computer, a grandfather clock and a color console TV for larger deposits at longer terms. Available terms were 18, 30 and 36 months. Amount categories ranged from $1,000 to $75,000.

"Of course, if they wanted to deposit $100,000, we wouldn't turn them

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C.D. Deposits Compounding Interest Annually

AMOUNT DEPOSITED	18 mo.	30 mo.	36 mo.
$1,000.00	Papermate Pen Set	Gold P.M. Pen Set	Soundesign AM/FM Cl. Radio
2,000.00	Gold P.M. Pen Set	SD Clock radio/phone	SD Cordless Phone
5,000.00	AM/FM Clock Radio	S.D. Cordless Phone'	Homelite XL12 Chain Saw
7,500.00	Clock Radio/Phone	Hmlt. XL12 Chain Saw	GÉ 13" Port. COlor TV
10,000.00	Cordless Phone	Compact Stereo System	SD Rock System
15,000.00	Hmlt. XL12 Chain Saw	GE 19" Port. Cl. TV	GE Microwave Oven
25,000.00	Compact Stereo System	GE Microwave Oven	GE 25" Cl. COnsole TV
40,000.00	GE 17" Port. Cl. TV	GE 25" Color Cons. TV	Hamilton Gr. Fa. Clock
50,000.00	GE 19" Port. Cl. TV	Ham. Gr. Fa. CLock	Apple IIe Computer
75,000.00	GE Microwave Oven	Apple IIe Computer	GE 40" Widescreen Comp. TV

Pick your premium. This chart, published in ads and fliers, helped Bethalto (Ill.) National increase its deposit base by 5%. The program was so successful it is being repeated this year.

It's A Tough Job Turning Bankers Into Salespeople!

Building a Sales Culture Can Take Years

WHY IS IT difficult to make sales people out of bankers? Because bankers are better at advertising than selling, said Dr. Leonard Berry, professor of marketing, Texas A&M University, at last month's convention of the Minnesota Bankers Association.

Many individuals join banks to avoid making sales. Selling is unfamiliar to them. It conveys a bad impression and creates fear. That's because selling is naked — you either make a sale or you don't. And selling is measurable because people — not machines or advertisements — are the sellers, he said.

When you ask a banker to sell, you're asking him/her to do something he/she has never done before, and often doesn't want to do.

Why are sales so important today? Because competition is fierce, Dr. Berry said. Product lines are shifting and becoming more complex, requiring a personal contact to explain them. A newspaper ad can't do an adequate job. Turning customers into clients requires a real person and individual service, not to mention after-the-sale attention.

Marketers are realizing that selling is high-touch promotion, while advertising is low-touch, he said. It takes a person to supply high touch.

Another realization: Clients, not customers, are needed by banks today. Client marketing is the key to the future. Customers are nameless; clients are known by name. Customers are served en masse; clients are served individually. Customers are served by anyone; clients are served by professional bankers assigned to customers. Customers have no allegiance to the bank; clients do have allegiance.

Leonard Berry at podium at Minnesota Bankers Association convention.

Making salespeople out of bankers is a tough assignment, Dr. Berry admits, but it's one that must be attempted. There is no alternative for banks in the '80s.

He discussed a study he made involving 700 banks in the U. S. The objective was to get a feel on the status of personal selling by banks in the '80s. He wanted to determine where banks are now in the development of a sales culture so a plan detailing how they should continue could be developed.

He found that 20% of the surveyed banks had made some progress in building a sales culture, but the other 80% still were at the starting block. It takes a couple of years to build a sales culture, he said.

He visited 10 banks that had reputations for outstanding sales programs. He wanted to learn what they had done to be successful in the sales area and develop a model based on their experiences.

His central conclusion was that his concept of sales-success factors is valid. Some of these factors appeared at all 10 banks. Weaknesses always could be traced to a factor that was incorrectly implemented.

Dr. Berry developed what he calls a "sales loop," consisting of a series of elements — or factors — that are necessary to achieve success in selling:

- The realization that the customer is the cause of the bank's existence.
- A pervasive selling attitude that considers selling to be legitimate and important at all levels of the bank.
- A sense of team, rather than just individuals. This concept is developed through sales meetings.
- Institutional pride. Sales-oriented bankers must believe in their institution, acknowledging that they work for the best bank in town.
- A visible management commitment. This commitment must be so visible that employees consider it to be real and meaningful, not just a puffery. The commitment includes mandatory selling by managers and the realization that advancement depends on sales ability.
- Faith in employees. This faith is expressed by giving encouragement to employees as well as the tools to do the selling job.

Dr. Berry outlined three prerequisites to building a sales culture: recognition that building a sales culture is evolutionary, that management must have a genuine commitment to the concept and that a "sales champion" is necessary for success.

Explaining these prerequisites, Dr. Berry said the attitudes necessary for a successful sales culture need to be nurtured over a period of time.

"A sales culture builds from within. It takes time, dedication and detail to develop it." Moreover, a sustained sales program requires a stick-to-it commitment.

Management's commitment must be genuine and be backed up by sufficient funds to bring the project to fruition.

A great deal of patience also is required and management must assume the role of sales defender. A sales defender talks up the importance of a sales culture and takes steps to prevent budget cutters from trimming sales-related costs.

A sales champion also is needed, Dr. Berry said. This is someone who plans, steers and nurtures the sales-culture concept. This individual often is the bank's marketing director. The sales champion has the job of selling the concept of a sales culture to everyone in the bank. The sales champion works with the sales defender to make a program successful.

Defining the sales task. What do you want the bank's contact people to do? Tell them in the job description. Employees need to know what management means when it asks them to sell. This can be done by listing the selling behavior of each position in the bank.

For example, tellers should be told to greet customers by name, to perform clue selling and refer customers to the new-accounts desk when they detect that the customer can benefit from an additional service from the bank.

New-accounts personnel should be trained to detect customers' needs, how to make customers aware of additional services — at least one more than the customer came to the new-account desk to obtain. They should provide the best service they can to customers regardless of the size of the account.

Calling officers should be told to contact each of their accounts at least annually, present a new and meaningful service to each account annually, make 25% of their calls on non-customers and offer a full range of services, not just their specialties.

Personnel should be told what they are expected to do, but not how they are to do it, Dr. Berry said. Their list of duties should be short. They should know what their job is, how it will be measured and how they will be rewarded.

Having the right people sell. It's important that banks look for the right type of individual for their sales staffs. This means the bank maintains high standards for new personnel. Make employees earn their selling spurs; don't start them out in a customer-contact position.

Identify those with the best sales ability among existing staff, Dr. Berry said. Use performance to identify ability. Don't look for glibness or good talkers. Look for assertive individuals who are sensitive to the needs of customers. Look for individuals who care about customers, are creative, are team players. These are the individuals who can be developed into professional sellers.

Offering the right services. This is critical to success, Dr. Berry says. Great products are the primary reason for a bank being successful. It's not easy to sell inferior services; sales people who are excited about the services they sell will be better salespeople. A professional salesperson must believe in the products being sold.

Preparing people to sell. Best results are obtained by individuals who bring capabilities to the job, who gain capabilities on the job and who are motivated, Dr. Berry said. A strong sales knowledge and skills-development program are imperative. Self confidence also is important. Motivation is a must and the cost involved is worth it. The cost of not preparing people to sell is much greater in the long term!

Sales-knowledge development consists of product knowledge, which is the bedrock of sales development; the sales role, which emphasizes customer service; customer analysis; and competitive/environmental analysis.

(Continued on page 44)

Reflections on Banking Industry

DR. BERRY spoke twice at the Minnesota Bankers Convention (see adjacent article). His second talk consisted of reflections on the banking industry. He made the following points:

- Electronic banking makes the human factor in banking more important rather than less important. There are fewer face-to-face encounters, which means that those that occur should be handled well. These face-to-face encounters should be used to cross-sell effectively. There may not be a second opportunity! Electronic banking frees bankers to be bankers. It's more than cost reducing; it's a liberating influence if bankers are smart enough to channel efforts in that direction.
- Deregulation makes the human factor more important. In a deregulated environment, competitors will match almost everything a bank has to offer. It will be difficult for competitors to match intangibles of service, however. People performance makes similar institutions different. Invest in the right people, prepare them for their jobs, reaffirm the bank's values — its purpose in the community. People make the difference!
- Most banks are organized all wrong, which makes them hard to do business with. New strategies won't work if old organizational policies still are in place. It's time to be bold in thinking out the bank's strategy.
- Marketing efforts to keep and improve existing customers are vital. Too many resources exist to get new customers and not enough to retain existing customers. It's easier to sell an additional service than the first service. Obtaining new customers is merely an intermediate step. The main point is to make existing customers better customers. Devote at least half of the marketing effort to courting existing customers.
- There is no easy path to relationship banking. The bank must give customers reasons to consolidate their business at the bank. Make it appear stupid for them not to consolidate. Make it against their best interests.
- The best-managed banks will be both high-tech and high-touch. Routine and nonroutine services will be offered.
- There are fewer savers and more investors in the U. S. today. Savers store money; investors seek to use money to make more money. We helped create the investment mentality by offering sophisticated services. Investment houses are becoming more formidible as competitors. Find creative ways to help investors improve their financial strength.
- Innovation doesn't just happen, it must be worked at. It requires special efforts. Establish an innovation fund. Set aside money to fund innovative projects. Proposals for new services must bid for development funds.
- The best marketing departments are not those that are clever. They are those that get everyone in the bank to practice marketing.

Consumer Attitudes Toward Financial Industry: Confusion, Caution, But Curiosity

By Neil Christy
Vice President/General Manager
Keckley Market Research, Inc.*
Nashville

RENOWNED journalist Walter Lippman once wrote, "when all think alike, no one thinks very much." After a thorough analysis of U. S. consumer attitudes toward financial services, Keckley Market Research has concluded otherwise: Most financial consumers are thinking alike, and they're thinking a lot!

Based on dozens of focus groups and thousands of telephone interviews, we've boiled down the current consumer mindset into 10 statements to which most if not all consumers would agree. They are saying:

* * *

• *"I'm making more money, but . . ."* Fueled by an ever-increasing cost of living and a dramatically increased desire for a more affluent lifestyle including entertainment, travel and transportation, the typical household finds itself with two incomes (40%) but more credit liability than ever before. In spite of the 30% greater spending power households have netted since 1970, 60¢ out of every dollar now is applied to either installment debt or home mortgages.

• *"Things will get better for me."* The mood of the nation is optimistic, thanks to the recent economic recovery. According to the Institution for Social Research, Ann Arbor, Mich., consumer confidence is higher now than it has been since 1969 as interest rates have stabilized and the housing market has opened up slightly. Consumers are interested in short-term survival tactics, but believe "things will be better" in three to five years.

* * *

• *"I'm confused about financial products and services."* This feeling is universal in the consumer market. Consider it from a consumer's perspective: In just a few years, the classical difference between banks and S&Ls has disappeared as they advertise the same products side-by-side. Add to that the entry of nonbanks. Only a few years ago the classic product mix consisted of checking, savings and trust. The typical institution now offers more than 30 products and anticipates offering travel, insurance and real-estate services. Consumers simply can't process all these changes, so they resort to old values — courteous, friendly service and convenient, modern facilities.

* * *

• *"I'd like to know more."* The consumer wants to understand the complex new financial environment, lest he miss opportunities or make mistakes. In every financial-institution consumer survey we conducted, "information about new products and services" has been the No. 1 need expressed by consumers. More than any other, this is a mandate from the consumer market.

* * *

• *"I want to keep my options open."* Because consumers are confused and feel they need more information, they have become cautious about the products, services and institutions they support. They're afraid to put all their eggs in one basket. This explains the finding that the typical U. S. household has accounts with 3.4 financial institutions; 1.8 of these are banks.

* * *

• *"I'm not afraid to try something new."* One of our most striking findings is the receptivity of consumers to new products and new providers. The overwhelming majority want financial institutions to provide complete financial planning, including investment advice. There is no noticeable resistance, and, in fact, positive response, to Sears' entry into the consumer financial-services market. Pollster Louis Harris noted in a recent *Business Week* profile that "the public appears willing to try almost anything."

Mr. Christy directs research and analysis at Keckley Market Research. His specialties include moderating focus groups, analysis, report presentation and consultation. He has 11 years' management/consulting experience. This article is based on remarks Mr. Christy made at the Ohio Bankers Association convention earlier this year.

* *Keckley Market Research is a subsidiary of Financial Institution Services, Inc. (FISI), Nashville.*

• *"I'd rather pay more to get what I want."* The retail sector noticed this trend first: Consumers are paying more to get the quality and utility they desire. In retail, this has spawned the growth of "quality discounters," stores specializing in quality brand-name merchandise sold at 20% to 30% discount for volume-sales profits. While discounters like Zayre have struggled because products were perceived as lacking quality, Target and WalMart have prospered. Similarly, consumers realize there's "no free lunch" offered by financial institutions. They do not shy from credit-card fees and actually pay more for a card with an automatic line of credit.

* * *

• *"I want it now."* Only 7% of U. S. households resemble the "Father Knows Best" picture of a working dad and mom home with the kids. More than 60% of all moms work today, putting a premium on non-work time for personal and family use. Banks can respond with convenient facilities, shorter lines, extended hours, off-site ATMs and telephone bill-paying. Evidence suggests a strong relationship between resentment of long waiting periods to see a physician, and the growing popularity of urgent care centers.

* * *

• *"Give me a break."* Most consumers believe institutions are going out of their way to take care of the affluent, leaving the rest to cope with higher fees and less service. It's this "segmentation with explanation" that has eroded consumer confidence. Gallup polls on consumer respect for financial institutions have noted the gradual decline as a result. Repeatedly, in our focus groups, low-balance and middle-market consumers said if you have money already, they'll lend to you. If you don't have it and need it, they won't.

* * *

• *"I want a meaningful relationship."* To avoid getting caught in the changes and confusion, consumers confess a desire to do business with one person and one institution, "who'll be there when I need them." Only 25% report they have a personal relationship, while 75% say they desire one.

* * *

The consumer market for financial services is in a shake-out period. Some consumers will end up at Sears. Others left long ago for Merrill Lynch. Clearly, the institution that understands and responds to consumers' wants and needs will benefit with long-term profitability.

In Peters' and Waterman's book *In Search of Excellence*, the authors say that successful companies are those that "stay close to customers." These 10 statements from the marketplace should help your bank do just that. ••

Automated Bank System Allows Customers To Compare Products

"SHOW and tell, to make more sales" is the philosophy behind a new bank-automated system that allows customers to see "what-if" projections to help make buying choices.

Valley Systems, Inc., Appleton, Wis., has integrated banking functions common to tellers, bookkeeping and the platform into a menu-driven package operating from a common terminal. A swivel/tilt screen allows the customer to participate as the banker tailors a series of "what-ifs" to meet the customer's needs, according to Valley Systems.

"For example, the banker can display IRA value projections based on a customer's investment assumptions or determine periodic loan payments related to various borrowing assumptions. In effect, this service is a realistic first step to financial counseling," says C. Kendall Scott, Valley Systems president.

A product-sales mode allows the banker to explain the features of any bank product; a new-account mode then permits the banker to complete the sale. The system then recognizes which documents are necessary to open the account and prompts the banker to insert them into a flatbed printer so they can be prepared immediately while the customer is waiting. If the customer already has an account, demographic information (name, address, etc.) can be downloaded automatically from the host computer.

Valley Systems is a data-processing corporation providing financial processing exclusively for Valley Bancorp.-member banks. ••

• **Philip S. Corwin** has been appointed federal legislative counsel of the ABA. He had been legislative counsel to the Independent Bankers Association of America for the past four years. He joins the staff of Edward Yingling, newly appointed executive director for government relations.

Regional Compacts OK'd by Court

REGIONAL interstate banking agreements have been given the green light by the U. S. Supreme Court. Last month the court handed down an 8-0 decision upholding the legality of laws in Massachusetts and Connecticut that permit bank mergers across state lines but limit participation to banks in New England. Excluded money-center banks contested the legality of the laws.

Seventeen states allow regional banking, 14 states are proposing such legislation and 19 states have no laws on the topic.

It's expected that the Supreme Court decision will put pressure on Congress to come up with an interstate-banking law. The House Banking Committee has approved a bill that recognizes the regional compacts and would require states involved in those compacts to submit to interstate banking after five years. The bill also includes a provision that would let states "opt out" of interstate banking if they had not entered into any regional compacts.

The Court decision also is expected to constitute a long-term setback for money-center banks. These institutions are excluded from most regional compacts. It's expected that banks included in the compacts will merge to the point that many will approach the size of money-center institutions. Should that happen, these new, large banks could be in a position to acquire money-center banks at some time in the future.

Money-center banks are not giving up, however. "Even though we lost in the Supreme Court, it is still possible we could win a decision in the Congress," said Hans Angermueller, vice chairman, Citicorp., New York City.

Robert I. Lipp, president, Chemical New York Corp. and Chemical Bank, New York City, said "The effect of the Supreme Court ruling is to make it more important than ever before for Congress to provide for an orderly transition to nationwide interstate banking."

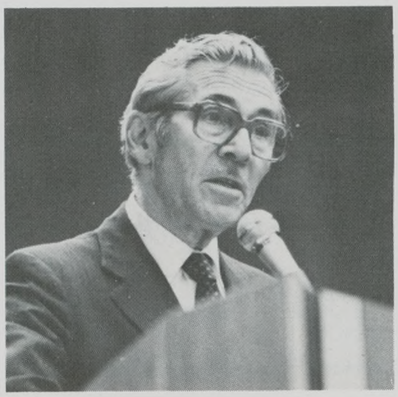
Customers, Fundamentals Should Be Banker Focus, Alexander Tells Conventioneers

By the Editorial Staff of Mid-Continent Banker

BANKERS must renew their focus on meeting needs and reaffirm their dedication to fundamentals if they are to survive in the years ahead.

This is the advice of Willis Alexander, recently retired executive vice president of the ABA. Mr. Alexander spoke at the Oklahoma, Missouri and Minnesota conventions this year.

Mr. Alexander characterized the banking industry as being at a watershed because of deregulation, an influx of new competitors and a confidence crisis that has developed.



"We're not all going to make it," he cautioned. "But those of us who do will face a new environment and will have the opportunity and the likelihood to be successful throughout the remainder of our careers."

Mr. Alexander is chairman, Trenton (Mo.) Trust. He remained active at the bank throughout his more than 15 years of service with the ABA. He expects to continue residing in the Washington, D. C. area.

Among his suggestions for bankers

(Continued on page 44)

Reciprocity Legislation Expected to Pass, Says IBA at Convention

ILLINOIS Bankers Association (IBA) officials expressed optimism during the association's annual convention — held in Chicago last month — about prospects for passage of IBA-supported reciprocal-banking legislation during the current session of the Illinois legislature.

Under the IBA-supported bill, banks from contiguous states would be permitted to merge with or acquire Illinois banks if their states extended similar privileges to Illinois banks. So far, only Indiana and Kentucky — among the seven states contiguous to Illinois — have passed reciprocity legislation. Jim Civik, vice president/director of state governmental affairs, predicted an "uphill" battle in the legislature over the bill, but said he remains confident that it will pass.

Mr. Civik appeared on a panel with IBA President G. Thomas Andes, president, First National, Belleville, and IBA Executive Director William J. Hocter during a session designed to update IBA members on the latest legislative news. Reciprocity legislation will receive IBA's primary emphasis during the year ahead, Mr. Civik said, but the association also is supporting and closely monitoring legislation that would expand bank powers and increase from three to five the number of separate facilities permitted Illinois banks.

Mr. Civik also urged bankers in the state to submit to the IBA evidence of services provided senior citizens, students and other groups pushing for so-called "life-line" banking legislation.

IBA Pres. G. Thomas Andes (l.) and Economist Roy E. Moor, First Nat'l, Chicago, during convention break.

"That's their term, not ours," said Mr. Civik, who prefers the term "subsidized" banking. If the IBA can collect enough evidence banks in the state already are providing reduced-rate services to senior citizens, students and others, the issue would be defused in the legislature, Mr. Civik said.

Mr. Hocter said the IBA is not in complete agreement with the ABA with respect to the proposed "trigger" for full interstate banking. The IBA's position has been that the timing of any trigger that might be established would be purely arbitrary and that Illinois banks need time to adjust to multi-bank HC legislation which took effect only three years ago before large out-of-state HCs are permitted to enter the state.

Conflicting economic outlooks were provided by convention speakers. Dr. Roy E. Moor, senior vice president/chief economist, First National, Chicago, predicted that Illinois banks are in for the roughest two-year period since the end of World War II. Mr. Moor said his analysis of economic data did not lead him to predict a recession, but rather a period of economic "malaise" that will be difficult to manage in.

Dr. Barry Asmus, economist, author and lecturer, focused his attention on the new vitality deregulation has brought to the nation in a speech entitled "Cornering the Coming Boom." Robert M. Blieberg, editorial director/publisher, *Barron's Weekly*, said the economy many be on the verge of "getting its second wind."

"This recovery already has surprised a lot of people and the next surprise could be its longevity," Mr. Blieberg said.

During the convention, the IBA changed its fiscal year to coincide with the calendar year. The action will extend by six months the term of IBA President Andes who assumed the unexpectedly vacated post in March. Normally, Mr. Andes' term — and that of other officers elected last year — would end in July. Charles E. Waterman, executive vice president, South Holland Trust & Savings Bank, was elected to fill the IBA vice presidency vacated by Mr. Andes when he became president. Also serving as IBA officers are Harlan K. Yates, president, Cisne State — secretary; and John W. Luttrell, president, First National, Decatur — treasurer. ● ●

Indiana Bankers Told How to Get New Services from Legislators

THE BEST way to convince legislators that banking needs additional products and services is to convince them that these services are beneficial to customers — or voters. This is the advice of ABA President-Elect Donald T. Senterfitt, a principal speaker at last month's annual convention of the Indiana Bankers Association.

Mr. Senterfitt, who also is vice chairman, Sun Banks, Inc., Orlando, Fla., terms bank customers "our best messengers to legislators." But, in order for customers to become good messengers, they must become convinced that the services banks are asking legislators for are truly in their best interests.

Bankers are spinning their wheels when they get involved with discussions over turf rather than catering to the interests of consumers, he said. It's true that additional powers can result in greater profit opportunities, greater diversification, greater productivity — in short, a sounder banking system — but these benefits aren't readily transferrable to consumers. They want to know what is in it for them, not what is in it for bankers, he said.

"The core of banking's strength always will lie in its ability to serve customers on a personal basis," Mr. Senterfitt said. "Banking always has been a 'people' business, and I believe it always will be. Our commitment is to community banking because, no matter how large a banking organization is, it can be involved in community banking."

Bankers are dealers in trust, he said, not mass-merchandising marketers. As an industry, it is absolutely vital that bankers continue to adhere to the standards that have made the industry one of the most dependable and sound enterprises.

"Confidence is our most important asset," he said, "and it must be protected at all costs because it is not negotiable."

The history and future role of financial planning were discussed by Hubert L. Harris, executive director, International Association for Financial Planning.

"Our goal is to promote ethical, practical, sensible, consumer-oriented financial planning so that, as an industry element, financial planning becomes more relevant and plays a greater role in capital formation," he said.

The public wants financial planners and it wants them to subscribe to a fairly rigorous code of ethics. They count on financial planners to help them cut taxes and create additional

ILLINOIS — Officers include (from l.) William J. Hocter, e.v.p.; Harlan K. Yates, sec.; G. Thomas Andes, pres.; John W. Luttrell, treas.; and Charles E. Waterman, v.p.

INDIANA—Officers for 1985-'86 include (from 1.) David H. Howarth, pres.; Don C. Stimson, treas.; and Jon S. Armstrong, v.p.

wealth.

Financial planning is ideally suited as a delivery vehicle — long term — for the financial-services industry, he said, and banking is well positioned to take advantage of financial planning.

"Banks need to get into financial planning to save their customers," he said. "Protecting your relationship is the first reason I would suggest for banks moving into financial planning. It allows you to cross-sell bank services and it is an income-generating service if done correctly."

Outgoing IBA President R. W. Hill, vice chairman, National Bank of Greenwood, described his tumultuous year as the only "full-time IBA president" (full-time because he lives only 15 minutes from IBA headquarters!).

He said he was pleased that the IBA was able to "pass significant banking legislation for the first time in 50 years, which brought the Hoosier banking community into the twentieth century." He was referring to Indiana's new law that legalizes multi-bank HCs and cross-county branching, along with eventual reciprocal interstate banking with contiguous states.

He also announced his retirement from banking after 38 years in the industry.

Succeeding Mr. Hill as IBA president is David H. Howarth, president, Lafayette National. Elected vice president was Jon S. Armstrong, chairman, Midwest Commerce Banking Co., Elkhart. Don C. Stimson, president, Peoples National, Lawrenceburg, was named treasurer. ● ●

Resolve Structure Issue, Bankers Advised At Michigan Convention

EXPRESSING deep disenchantment with the political process in the state capitol at Lansing, outgoing Michigan Bankers Association (MBA) President Robert W. Sherwood, chairman/president, National Bank of Hastings, nonetheless urged the administration of his successor — Daniel R. Smith, president, First of America Bank Corp., Kalamazoo — to continue to fight for bank-structure reform.

"Get the structure issue resolved if you possibly can," Mr. Sherwood emphasized in his final speech as MBA president given at the association's 99th annual convention at Mackinac Island. "Michigan needs reciprocal interstate banking. Michigan needs expanded branch banking. And Michigan banks need to have the whole issue of bank structure behind them. Given the Lansing scene, I don't underestimate the difficulty of doing this, but I urge you to keep the pressure on and to keep trying."

Robert W. Sherwood (r.), outgoing MBA pres., chats with Douglas Kiker, NBC News, convention speaker at Michigan convention.

Earlier in this talk, Mr. Sherwood sharply lambasted politicians in Lansing and said that the biggest disappointment of his term in office had been Governor James Blanchard's veto of an MBA-supported bank-structure bill last December. Machiavelli, said Mr. Sherwood, his tongue firmly planted in his cheek, is "alive and well and living in Lansing.

"The situation there is so highly politicized it defies belief," Mr. Sherwood continued. "There are no simple, straightforward ideas — for good or ill — which rise or fall on their own merits. Absolutely nothing happens in Lansing unless someone makes a deal with someone else. Frankly, the state of our state government distresses me."

On a brighter note, Mr. Sherwood boasted that he may be the only MBA president to have served at a time when every bank in the state belonged to the MBA. He also boasted of the performance record of Michigan banks.

"We have very, very few problem banks in Michigan," Mr. Sherwood noted, "Fewer, I suspect, than any other large, industrial state, and remarkably few when you consider the enormous strains the recession put on the economy of this state."

Mr. Sherwood was not alone in his praise of the performance of Michigan banks. Allan McCall, the FDIC's chief of bank regulation, noted that only one Michigan bank has failed in the past two years and only two in the last four years. Michigan also is below the national average in the number of banks on the problem list, he said.

Nationally, there are 478 on the problem list and the "time is approaching" when there may be as many as 1,000 on the list, he said. At the current rate, there could be as many as 100 bank failures this year, although most will continue to be small. Mr. McCall advocated a series of FDIC reforms that he said would help stem the tide of bank failures.

The FDIC of "the future," Mr. McCall said, will have the authority to deny or revoke FDIC coverage to any institution and to take stronger enforcement action when necessary. He said the FDIC no longer supports merger with the Federal Savings & Loan Insurance Corp. (FSLIC) as a possible solution to the FSLIC's monetary problems. A couple of years ago, he said, the FDIC supported a merger with the FSLIC as a means of getting uniform accounting standards and capital requirements for banks and S&Ls. But the FDIC no longer believes there is "anything to be gained" by a merger.

Joseph Belew, director of government relations, Consumer Bankers Association, Washington, D. C., said prospects for bank deregulation are murky this year. The House and Senate have "exchanged roles" on further financial deregulation, he said. Last year it was the Senate under the leadership of banking committee chairman Jake Garn that was pushing deregulation. But this year, the House has been "the first off the mark, although its approach has been different."

In addition to Mr. Smith, other newly elected MBA officers are: Lyle McKinley, president/CEO, Citizens National, Cheboygan — first vice president; George H. Cress, president/CEO, Citizens Trust, Ann Arbor — second vice president; and Alex K. Sample Jr., president/CEO, Houghton National — treasurer. ● ●

Minnesota Bankers Learn Banks Rate High With Surveyed Consumers

MINNESOTA bankers were told that the banking industry in their state is "bright and shiny," but there are some clouds on the horizon. This was the conclusion made by John Barlow, president, Market Trends, Inc., Minneapolis, opening speaker at the Minnesota Bankers Association's annual convention, held last month in Minneapolis.

Mr. Barlow's firm assisted the MBA in conducting a survey of consumer preferences of primary financial institutions. The survey was conducted in March and is based on interviews with more than 700 Minnesotans. More than 70% stated they preferred commercial banks as their primary financial institution. Credit unions placed second with 12%, S&Ls had

Galen Pate (r.) outgoing MBA pres., chats with Gary Stern, Minneapolis Fed pres., at convention. Mr. Pate is pres., Signal Hills State, St. Paul.

11% and brokers were at the bottom with 2%.

The cloudy part of the report is that banks are seen as offering a wide range of services, but S&Ls are considered as the best financial institution at which to place long-term savings and IRAs, Mr. Barlow said. Credit unions are perceived as the best place to obtain auto loans.

The public wants basic financial services from banks, he said, but people don't hestitate to go elsewhere for "other" services. The public perceives all financial institutions as "safe" depositories for their funds.

Banks are clear winners in the convenience and service categories but place last when it comes to pricing services. Only 29% of those surveyed consider bank pricing to be most favorable, while 72% favor S&Ls and 82% choose credit unions when pricing is a factor in opening a new account.

Mr. Barlow said the average credit-union customer is the one banks should cultivate. There are 570,000 credit-union members in Minnesota, which amounts to 14% of the state's population. The average credit-union customer is under 34 years of age and has an income exceeding $30,000 per year.

During the convention, delegates committed themselves to family farms, reduction of the federal deficit, a balanced federal budget and regulation of nonbanks. A series of resolutions was passed at the meeting.

Family farms must survive, the MBA said, but their economic survival has been seriously challenged by a combination of high interest rates, low commodity prices and an overvalued dollar. The association's agricultural task force will assist government policy makers in developing programs to help Minnesota farmers.

The MBA urged Congress to support a bipartisan commitment to a federal deficit-cutting program. Continued high levels of government borrowing increases upward pressures on interest rates and sustains an already overvalued dollar, the association said. High interest rates frustrate productivity and the overvalued dollar adversely affects the ability to compete in world markets with U. S. products.

The MBA supports adoption of a constitutional amendment to require a balanced budget. The added discipline of a balanced budget will aid the decisions necessary to bring federal expenditures in line with revenue, the association said.

The MBA supports the "immediate enactment of federal legislation to bring nonbanks under the control of the Bank Holding Company Act."

Gary Stern, new president of the Minneapolis Fed, outlined three key trends that are relevant to the economic outlook for the U. S.: continuation of a relatively modest rate of inflation; increased competition from abroad; and a continued 3.5% real growth rate for the next several years.

He believes bankers must plan on continued low inflation; that strong, persistent competition from abroad has been beneficial to the economy and bankers must get used to it; and that there's no going back from deregulation.

He added that economic growth of from 3.0% to 3.5% is achievable and will occur over the long term. He said the subpar economic performance of the last decade can be blamed on high inflation.

He predicted that the economy of the upper Midwest could perform better than the national economy — except for farming. He describes the local economy as unbalanced — a dual economy, a situation that will continue for some time.

Clinton D. Kurtz, president, Citizens State, Norwood, was installed as MBA president, along with Roy W. Terwilliger, president, Suburban National, Eden Prairie, as first vice president; and James R. Jorstad, presi-

MICHIGAN — New officers for 1985-'86 (from l.): Alex K. Sample Jr., treas.; Daniel R. Smith, pres.; Lyle McKinley, 1st v.p. Missing is George H. Cress, 2nd v.p., who did not attend convention.

MINNESOTA — Officers for 1985-'86 include (from 1.): James R. Jorstad, 2nd v.p.; Clinton D. Kurtz, pres.; Roy W. Terwilliger, 1st v.p.; and Scott Jones, treas.

dent, Citizens State, Hayfield, as second vice president. Scott Jones, president, Goodhue County National, Red Wing, was installed for a second term as treasurer. ● ●

Reluctance to Change, Image Problem Topics at Miss. Convention

BANKERS' reluctance to change with the times and their poor image with legislators and the public were discussed by Ray L. Davis, outgoing president, Mississippi Bankers Association, at the MBA's annual convention in Biloxi in May.

Mr. Davis, who is president/CEO, Brookhaven Bank, said there's a lot of "catching up" to do to improve bankers' images and services. He said this would be difficult to achieve without establishing a sense of unity.

"We have an image problem," he said. "It's been suggested that officers at banks with currency-reporting violations should be jailed. A major insurance firm has stopped writing D&O liability coverage. It's not unusual to hear comments like this one from an insurance broker: 'Underwriters today look at banks as rotten through and through, from the smallest to the biggest.' "

Another problem he cited is political in nature. "We can't get our act together. Every time we come up against the insurance or securities industry, in Washington or Jackson, we lose. Our staunchest allies in Congress and the state legislature desert us when an issue comes before them where insurance agents and bankers are on opposite sides."

Mr. Davis said the reason is that these industries present united fronts; they speak with one voice and a single purpose — to preserve their industries. Differences are settled within the family and a united front is presented to the world.

He contrasted this with the "suicidal tendencies" of bankers. Their free-spirit attitude is a political liability.

He warned that the next session of the state legislature will be critical for Mississippi bankers because the state usury statute will be addressed. He said that house leaders already have served notice that they intend to tie credit-life reform and statewide banking to reenactment of the usury law.

To meet this challenge, the MBA executive committee has appointed a task force to come up with a comprehensive banking bill or a package of bills that all bankers in the state can support.

"I believe the time has come for this association to provide a forum for debate and a vehicle to work toward an industry solution to the issue of statewide banking," he said.

"Not all is gloom and doom," Mr. Davis said. "The changes taking place in banking mean greater opportunities." Banking will be more interesting and challenging — and more rewarding, he added.

Succeeding Mr. Davis as MBA president was M. F. Kahlmus, chairman/president, Merchants & Farmers, Meridian. Farrell F. Berryhill, chairman/president, First National, Pontotoc, was elected vice president. New MBA treasurer is D. P. (Pat) McGowan, president/CEO, Bank of Yazoo City. ● ●

Banking's Future Depends on Bankers, Congress, Speakers Say in Missouri

TIPS for surviving under deregulation, as well as a plea for the U. S. Congress to wake up and bring banking law into the 1980s, were among the highlights of the 95th annual Missouri Bankers Association convention held recently in St. Louis.

John Connally Jr., three-time governor of Texas and 1980 presidential candidate, lambasted Congress for its failure to grant banks the same privileges enjoyed by competing financial institutions.

"I'm appalled, frankly, at the lack of action in the U. S. Congress," Gov. Connally said.

"The Congress sits by and does nothing while S&Ls, brokerages and everyone else get into banking."

In addition, Gov. Connally faulted Congress for allowing budget deficits to become "a national dilemma."

Outgoing MBA Pres. Wm. Quigg, pres., Central Trust, Jefferson City, is presented with key to St. Louis during Missouri convention by Carole A. Moody of St. Louis Convention & Visitors Commission.

"Congress must act to cut spending, raise taxes, move even more strongly to cut the deficit," he said.

"The defense budget could have been cut, should have been cut, $25 billion two years ago. There is enormous waste in the military budget." Gov. Connally holds Secretary of Defense Caspar Weinberger responsible for keeping the military budget unnecessarily high.

Daryl R. Francis, former president of the St. Louis Fed, gave his tips for surviving in a deregulated environment.

"There will be less emphasis on bricks and mortar and payroll, and more emphasis on mechanization, and what these machines can do for us," he said.

"There is a new earnings environment in the banking business. Interest income will always be important to us, but non-interest income is the area of the future we should give attention to," Mr. Francis said.

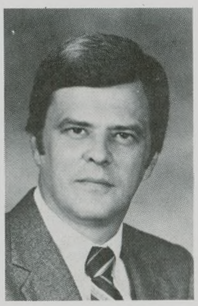
(Continued on page 36)

MISSOURI—Officers for 1985-'86 (from 1.): Eugene Leonard, pres.-elect; James Moser, pres.; Richard Pryor, v.p.

NEWS
About Banks & Bankers

ALABAMA

SouthTrust Bank of Alabama, Birmingham, has promoted R. Glenn Eubanks and James F. House to senior vice presidents. Mr. Eubanks joined the bank in 1983 and Mr. House in 1974.



GILES

Randy Giles, vice president, First National, Scottsboro, has been named the Outstanding Young Alabama Banker for 1985 by the Alabama Bankers Association. The award is limited to bankers under the age of 39 who have proved themselves to be good bankers and businessmen, employing sound banking practices. Mr. Giles began his banking career in 1971. He has been a vice president with First National, Scottsboro, since 1978.

AmSouth Bank, Birmingham, has promoted Charles C. Collier, senior vice president, to the additional position of manager/institutional and corporate trust departments; David L. Blackstone to vice president; Benny M. LaRussa to assistant vice president; and Susan M. Walker to assistant vice president.

ARKANSAS

The St. Louis Fed has approved the application of Bank of Dardanelle Bankshares, Inc., to become an HC through the acquisition of Bank of Dardanelle; and the application of DeWitt First Bancshares Corp., to acquire Bank of Lockesburg.

Worthen Banking Corp., Little Rock, has announced that it has reached an agreement on a claim with its insurance carrier calling for a cash payment of $20 million, resulting from the corporation's $52 million loss as a result of the failure of Bevill, Bresler & Schulman Asset Management Corp., a government securities dealer, to honor repurchase agreements. Under terms of the agreement, Worthen is to receive cash payments of $20 million. The insurance carrier is to receive 40% of any amounts Worthen may receive from Bevill, Bresler & Schulman.

ILLINOIS

Continental Illinois Corp., Chicago, has appointed William E. Deitrick senior vice president of Continental Illinois National and John J. Higgins to the same position with both the bank and the HC. Mr. Deitrick joined the bank recently as an associate general counsel in the law department. Mr. Higgins recently joined the organization as controller of both the bank and the HC.

First National, Evergreen Park, has elected Kenneth J. Ozinga president. In addition, Martin Ozinga, Jr., was elected chairman, succeeding Frank Ozinga, who has been designated honorary chairman.

James B. Lund has been elected president/CEO, First National, Wilmette. He came to the bank this year from Matteson-Richton Bank, Matteson, where he was president since 1970.

Douglas L. Mitchell has been elected a director of Northwest Illinois Bancorp, Inc., Freeport. He is president/CEO, Bank of Pecatonica, an affiliate of the HC.

Northwest National Bank, Chicago, has elected James W. Aldrich president/CEO, succeeding Fred W. Heitman Jr., who has become president of Northwest National's one-bank HC, Northwestco.

Leon J. Mizeur has been promoted to vice president/corporate banking at Marine Bank, Springfield. He joined the bank in 1970.

The St. Louis Fed has approved the applications of Salem Community Bancorp., Inc., to become an HC through acquisition of Community State Bank, Salem; and United Community Bancorp, Greenfield, to acquire First National, Bunker Hill, and Chatham Community Bank.

Eagle Bank, Highland, has elected Herbert G. Rautenberg president/chief operating officer, Rayhill J. Hagist chairman and Elvin M. Foehner senior chairman. Mr. Rautenberg also is senior vice president of Eagle Bancorp., Inc. He joined the organization in 1979.

Thomas F. Franklin has been appointed senior vice president/marketing and planning, First Midwest Bank, Waukegan. He previously was with Elmhurst National.

INDIANA

Indiana National Corp., Indianapolis, has promoted George A. Buskirk to senior vice president/trust officer, Curtis A. Brown and Joseph C. Howarth to vice presidents and Gregory Finch and Dennis R. White to assistant vice presidents.

1st Source Bank of Marshall County, Plymouth, has elevated G. P. Gidley from president to vice chairman. Replacing Mr. Gidley as president is A. S. Burkart. Mr. Gidley joined Marshall County Bank, which later became 1st Source Marshall County, in 1966 and served as president for 19 years. Mr. Burkart has been with 1st Source and its predecessors for 35 years.

J. Stephen Gress has been elected vice president, Midwest Commerce Leasing Corp., Elkhart. He joined Midwest Commerce Corp. in 1973.

The St. Louis Fed has approved the application of GCB Bancorp, Inc., Princeton, to become an HC through acquisition of Gibson County Bank, Princeton.

1st Source Bank, South Bend, has named John S. Seidl vice president/senior investment officer and Daniel G. Soley and James J. Shreiner assistant vice presidents. Mr. Seidl was with 1st Source from 1973 to 1983. Mr. Soley joined the bank in 1984 and Mr. Shreiner is new to the bank.

1st Source Corp., South Bend, parent company of 1st Source Bank, has agreed to acquire Marco Capital Corp., parent of 1st Source Bank Marshall County, Plymouth, which has three offices and $150 million in assets.

KANSAS

Fidelity State, Garden City, has appointed Jimmie C. Stewart senior vice president and Craig A. Wheeler vice president.

MidAmerican Bank, Roeland Park, has elected Fred B. Duncan senior vice president/mortgage banking and Christian E. Menzel vice president/commercial-loan officer.

First Continental, Overland Park, has appointed E. Dudley McElvain senior executive vice president and has promoted Mary L. Geisler and Anne F. Phillips to vice presidents.

BECK

First National, Wichita, has promoted Mike Beck to correspondent bank officer and Kenneth Buchmann to trust officer/employee benefits. Mr. Beck joined the bank in 1984.

Valley View State, Overland Park, has promoted Chris Braden to assistant vice president and has appointed Marsha Oehlert marketing officer. Ms. Braden has been with the bank since 1979.

Shawnee State has appointed Rod Zugelder assistant vice president and has promoted Scott Elliott to installment-loan officer and Mary Foster to commercial-loan officer.

KENTUCKY

First Kentucky National Corp., Louisville, has named Delroy R. Hayunga president, National Processing Co., a subsidiary. He succeeds Michael L. Douglas, who retains the position of executive vice president, First National, Louisville. Mr. Hayunga previously was president of FBS Information Services, a subsidiary of First Bank System, St. Paul, Minn. Mr. Douglas has been with First National, Louisville, for 22 years.

The St. Louis Fed has approved the application of Sebree Bancorp to become an HC through the acquisition of Sebree Deposit Bank.

Beverly J. Taylor has been named vice president/audit division at Citizens Fidelity Corp., Louisville. She joined Citizens Fidelity in 1977.

Frank St. Charles III, executive vice president, Bowling Green Bank, has been appointed to the executive committee of the American Institute of

Banking for Kentucky. He has been active in AIB throughout his career. Before coming to Bowling Green, he served as a director of the Nashville chapter, a member of the Tennessee state committee and has served as a member of the district council for the Southeastern region.

Liberty National, Louisville, has announced the following promotions: In the corporate banking group: Gary E. Bowman to assistant vice president and R. Brian Calvert, Jeffrey D. Holthouse and Gary C. Ulmer to assistant cashiers. In retail banking: W. Cleve A. Stone and Robert M. Sullivan to assistant vice presidents and Anne Moran, John W. Shaver, Steve L. Colyer and Fred W. Paige to assistant cashiers.

LOUISIANA

First Guaranty, Hammond, has appointed David A. Rothwell vice president/consumer lending and Kimberly R. Greene assistant vice president/consumer lending. Mr. Rothwell previously was with First National, Lafayette, where he was installment-lending officer. Ms. Greene previously was branch manager/loan officer at South Savings & Loan Association, Covington.

First Commerce Corp., New Orleans, has received final approval from the Fed to acquire First National, Lake Charles; First Lafayette Bancorp, Inc.; City National Bancshares, Inc., Baton Rouge; and Rapides Bank, Alexandria. If completed, the five acquisitions would bring First Commerce's assets to approximately $3.5 billion.

MISSISSIPPI

Hancock Bank, Gulfport, has agreed to acquire Pascagoula-Moss Point Bank. The acquisition will bring Hancock's assets to $720 million. The agreement is subject to approval by Pascagoula shareholders and state and federal regulators.

MISSOURI

Boatmen's Bancshares, Inc., St. Louis, has promoted David L. Poulk to vice president and has elected David W. Roller purchasing officer.

Centerre Bank, Kansas City, has announced an expansion of its international department and the appointment of three international banking officers: D. E. "Gene" Wisner to vice president/assistant manager; Jackie Hendren to assistant vice president/international operations manager; and James K. Unruh to assistant vice president.

Mercantile Trust Honored

Mercantile Trust, St. Louis, has been named one of only two banks and the only bank in the Midwest to receive a Presidential Private Sector Initiatives Award.

The program was founded to recognize businesses that help revive the spirit of voluntarism, which President Reagan has encouraged as a way to meet social and economic needs.

Mercantile was cited for its Community Development Corp. and its Hyde Park Partnership Program to help revitalize a depressed neighborhood.

Commerce Bank, Kansas City, has elected Michael S. Spafford and Marc J. Andreoli vice presidents. Promoted to vice presidents were Stephen L. Hallier, D. Scott Ingstad and Joseph C. Williams III. Elected assistant vice presidents were William R. Mitchell, Julius A. Madas, Dennis R. Block and Thomas E. Cook.

Commerce Bancshares, Inc., Clayton, has appointed Charles F. Erker regional marketing manager for the St. Louis region. He previously was with Maritz Inc., responsible for marketing programs.

Boatmen's National, St. Louis, has promoted Karen A. Courtney to vice president/bond department, and Thomas O. Fohne and Donna M. Schroeder to bond-investment officers. Larry L. Nation was promoted to vice president/operations and Sandra L. Hoehne and Judith K. Jovi were elected operations officers. Bernard L. Bearman and Walter A. Hellwig were promoted to investment-research officers, Frederick L. Plautz was elected an investment-research officer and Robert L. Finder Jr., G. Rolland Hyle and Greg R. Sonderman were promoted to trust officers. Earl J. Ward was promoted to assistant vice president/retail banking and Scott M. Debandt and Edward K. Propes were elected assistant cashiers. Paul R. Pitlyk was elected a real estate officer.

J. Dennis Sherfy has been elected vice president, Mercantile Bancorp. Inc., St. Louis. He continues as assistant treasurer of the HC. He joined Mercantile in 1980.

United Missouri, Kansas City, has promoted Gregg Thomas to vice president/personal financial planning. Promoted to assistant vice presidents were Libby Bergman, Linda Kovar, Joanne M. Collins and Eric D. Huff. David L. Williams, Michael T. McConnell and Richard Rowe have been promoted to assistant cashiers. Suzanne M. Cayton has been promoted to trust officer and Mary Ann Oertel to assistant trust-operations officer.

Boatmen's First National, Kansas City, has elected Max B. McCallister vice president/commercial-business development. In addition, David Bohan, Roberto E. Diaz and John Meyer have been promoted to installment-loan officers.

Centerre Bank, St. Louis, has elected Irene A. Looker vice president/commercial lending-healthcare. She joined Centerre in 1982. Roberta T. Carson and Robert E. Lee have been appointed assistant vice presidents. Thomas E. Netzer and Kathryn H. Schukar have been appointed commercial-banking officers. Anna M. Reliford has been appointed investment-operations officer and Janet R. Johnston has been appointed auditor.

Larry G. Vogt has been elected president/CEO/director of Rozier Mercantile Bank, Ste. Genevieve. He has been with the bank since 1970, most recently as vice president/senior-lending officer.

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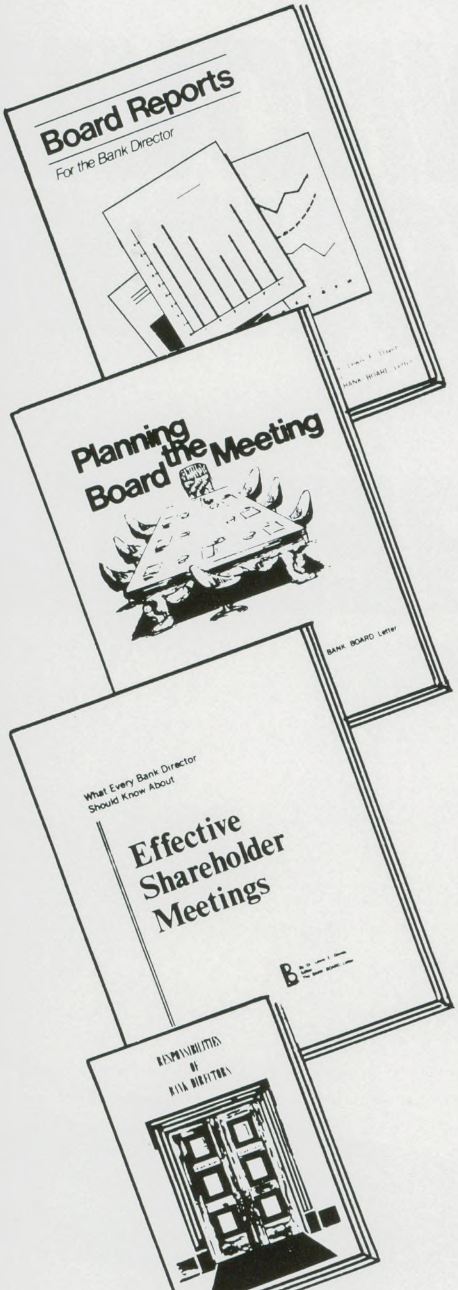

BOARD REPORTS . . . for The Bank Director **$26.00**

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 **$10.00**

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 **$16.00**

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 **$11.00**

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

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Gerald E. Fallert has been elected president/CEO/director, Home Trust Mercantile, Perryville. He previously was with Rozier Mercantile, Ste. Genevieve. At Home Trust he replaces Leo J. Miederhoff, who has retired.

Melvin E. Schroeder has been elected president, Polk County Bank, Bolivar. He succeeds Chester L. Wainscott who has retired but remains a director. Mr. Schroeder recently retired as vice president, Mercantile Bank, Kansas City. He spent more than 15 years as a correspondent banking officer.

Loren E. Jensen has been elected president/CEO, Farmers Mercantile, Bowling Green. He previously was executive vice president/senior-lending officer and he succeeds Wayne Walters, who has retired. Mr. Jensen joined the bank in 1984 after 10 years with Kansas banks.

Dale W. Tilton has been appointed vice president/business-development department at Mercantile Bank, Kansas City. He has 14 years of banking experience.

R. William Smith has been elected executive vice president, Commerce Bank, St. Louis. He has held the office of president and other executive positions at Commerce banks of Webster Groves, Richmond Heights and House Springs.

Boone County National, Columbia, has begun construction on a three-story, 28,000-square-foot addition to its existing facility. Bunce Corp., St. Louis, was awarded the construction contract. Completion is planned by the fall of 1986.

The American Institute of Banking, St. Louis, has elected the following officers for 1985-'86: President: Gary J. Harris, assistant vice president, Mercantile Trust; vice president/programs and planning: Bernard E. Berns, manager, St. Louis Fed; and vice president/finance/treasurer: David V. McCay, president, Boatmen's Bank of Concord Village.

SBA Certifies Boatmen's

Boatmen's First National, Kansas City, has been approved as a certified lender by the Small Business Administration. A bank must meet standards of loan application volume and quality to be certified.

Loan applications received from certified banks receive priority treatment from the SBA.

NEW MEXICO

United New Mexico Financial Corp., Albuquerque, has elected Gerald A. Ford president/CEO, succeeding James A. Clark, who resigned as president.

Banquest/First National, Santa Fe, has appointed John Perez vice president/commercial loans. He previously was vice president/manager at a local financial institution. In addition, David Dunmar has been appointed commercial-loan officer.

United New Mexico Bank, Albuquerque, has elected Douglas G. Nichols chairman/CEO and J. W. "Bill" Craig president/chief operating officer. Mr. Nichols has been president/CEO of the bank since 1982, and he has 28 years of banking experience. Mr. Craig has 25 years of experience in banking.

Banquest National, Albuquerque, has elected Christopher Preston, senior vice president, to its board. He joined the bank in February and he has 11 years of banking experience in the Albuquerque area. In addition, Charles E. Hancock has been appointed assistant vice president. Most recently, he was a commercial-lending officer at another local financial institution.

OKLAHOMA

Valley National, Tulsa, has promoted George E. Rowland Jr. to chairman/CEO and Daniel G. Keating to president. Mr. Rowland has been president of the bank since its chartering in 1982. Mr. Keating previously was with First National, Tulsa.

Central National, Enid, has appointed Jack Messall vice president/loan administration. In addition, Roger Runyan has been promoted to vice president/controller and Merry Lee Nafus to assistant vice president/planning. Before joining Central National, Mr. Messall was vice president with Commerce Bank, Kansas City.

Guaranty National, Tulsa, has promoted Lynn Van Deventer to marketing director and has appointed Dalene L. Hamilton controller. Ms. Van Deventer joined the bank in 1981. Ms. Hamilton previously was controller at an S&L.

Stephen R. Kerr has been elected president/chief operating officer of United Oklahoma Bancshares, Inc., Oklahoma City. He replaces William O. Johnstone, who resigned. Mr. Kerr retains the title of president, United Oklahoma Bank, Oklahoma City, a position he has held for the past three years.

Bank of Oklahoma, Tulsa, has named G. W. Cottrell vice president/petroleum-engineering manager. He previously was an engineer for a division of Getty Oil. In addition, Kevin L. Sellers has joined the bank as assistant vice president.

Fourth National Corp., Tulsa, has elected William R. Nash and John D. Strong to its board. They are president and executive vice president, respectively, of Fourth National Bank, Tulsa, the HC's principal subsidiary.

TENNESSEE

Third National, Nashville, has promoted Raymond Mitchell to assistant vice president and Jack Hoos to marketing officer. Mr. Mitchell joined the bank in 1977 and Mr. Hoos in 1983. Appointed new officers were Carol McSwiney, assistant vice president; and Bill Adams, commercial officer. In addition, George N. Gillett Jr. has been elected a director.

B. A. Wright has been appointed president/CEO of Citizens Bank, Savannah. He previously was chairman/president/CEO of First National, Lawrenceburg. He will continue to direct the Lawrenceburg bank. At Citizens Bank, Mr. Wright succeeds, as president/CEO, James S. Patteson, who recently resigned.

Hamilton Bank, Morristown, has promoted John T. Brice to controller. He joined the bank in 1978 and most recently was auditor. In addition, Barbara J. Wilson has been appointed auditor. Most recently she worked for the state department of financial institutions as a bank examiner.

Enforcement Disclosure To Be Made by FDIC

Consumer groups but few bankers are applauding the FDIC's announcement that it will disclose details of final enforcement actions taken against state nonmember banks, beginning January 1, 1986.

The agency agreed to modify its original proposal, which called for disclosure of charges against banks before they had time to prove their innocence.

Sharp criticism was voiced by bank trade groups; most of the 700 comments on the proposal voiced opposition to any disclosure of enforcement actions.

FDIC Chairman William Isaac dismissed the argument that early disclosure of charges could harm banks or individuals who eventually would be cleared of wrongdoing.

The FDIC is the first of the three major regulators to adopt an enforcement-disclosure rule. The Comptroller of the Currency is considering a similar rule, but the Fed is reluctant to do so.

Mr. Isaac said that "public confidence in the banking system is enhanced when there is fair and meaningful disclosure." He added that he expects the new rule will act as a deterrent to individuals and institutions that deposit funds in problem banks to take advantage of high interest rates.

Disclosure "may hurt some banks," he said. But, "for the bulk of banks, it will be highly positive."

Approximately 400 banks now are under formal enforcement orders from the agency.

TEXAS

Ted Liles has been elected vice president/consumer lending, First Bank, Amarillo. He joined the bank last year. Before that, he was with First National, Amarillo, which he joined in 1974.

Frost National, San Antonio, has promoted seven officers: Harvey J. Pendleton, vice president/security services; Zygmund A. Pruski, vice president/corporate planning; Stan Richard, vice president/item processing; Stephen D. Cox, assistant vice president/programming; James B. Crosby, assistant vice president/loan review; and David B. Murphy and George I. Ulrich, assistant vice presidents/programming.

Norman H. Bird has been elected executive vice president/commercial lending, Merchants Park Bank, Houston. He previously was with Charter Bank, Willowbrook.

Gregg M. Chinn has been elected assistant vice president/regional correspondent department, National Bank of Commerce, San Antonio. He previously was with First National, Oklahoma City.

Drew C. Axtell has been elected senior vice president of Oak Forest Bank, Houston. He manages the new oil and gas production-lending division. He previously was involved in energy lending in Texas and Louisiana with the Houston office of another bank.

First National, Amarillo, has appointed Steve Bowen and Jimmie Hall assistant cashiers/credit-review analysts. Mr. Bowen previously was assistant vice president/loan officer with Whisperwood National, Lubbock. Mr. Hall was with Farm Credit Banks of Texas since 1977.

Jim Mead has been elected president/CEO of Tascosa National, Amarillo. He replaces Gus A. Wulfman, who resigned recently. Mr. Mead joined the bank in 1981. He began his banking career in 1969.

RepublicBank Dallas has promoted to senior vice presidents Ruth C. Skinner, Harold R. Beattie, Robert S. Hays and John W. Woodiel III. Ms. Skinner joined the bank in 1974, Mr. Beattie in 1977, Mr. Hays in 1981 and Mr. Woodiel in 1977.

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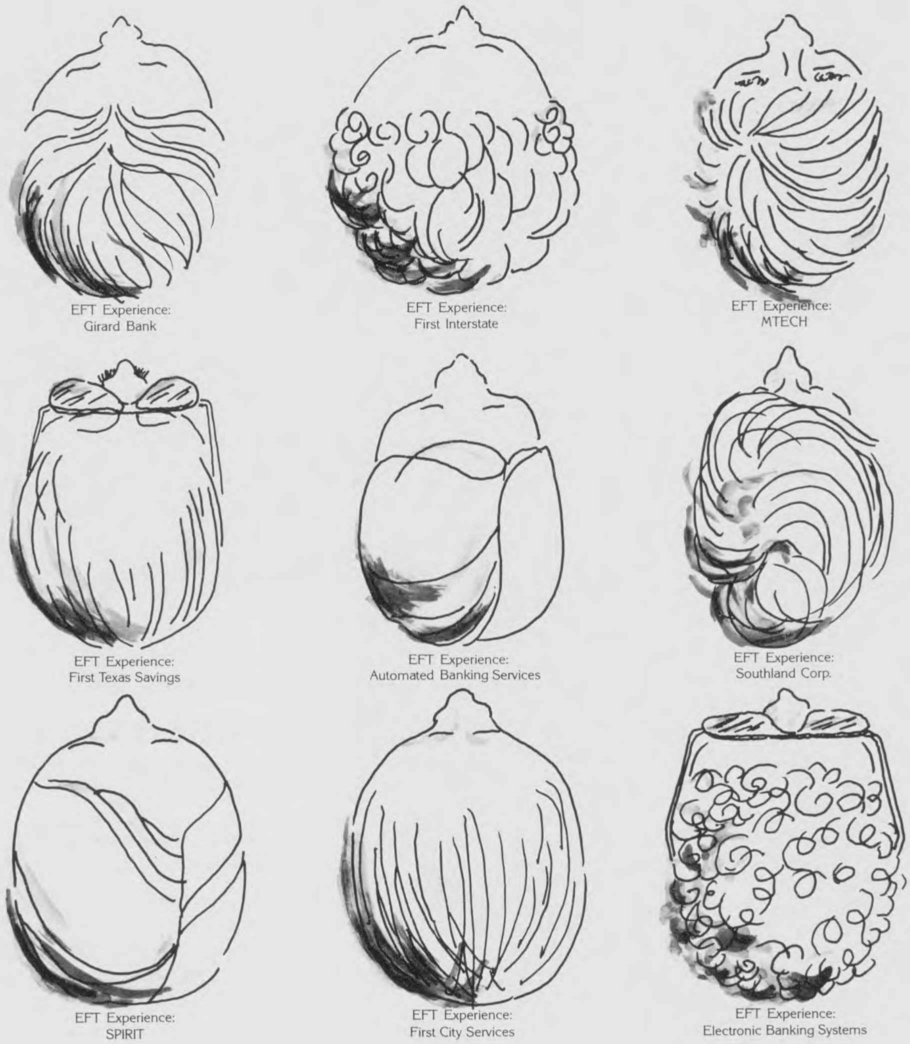

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How Banks Celebrate Christmas

Employees Sell Handicrafts At Bank's Christmas Bazaars

THE LOBBIES of Centerre Bank's two downtown St. Louis locations became Christmas bazaars for two days last year.

The Christmas celebration allowed bank employees and friends to display and sell their handicrafts. Judging by the variety of items, bank employees are a multi-talented lot. Displays included jewelry, dolls, silk paintings, stained glass, pottery, kitchen items, tole, ceramics, needlepoint and crochet, baked goods and Christmas items like wreaths and ornaments.

Connie Taylor, personal banking manager, had the idea. She hoped the bazaar would be a way for Centerre employees to have some fun while generating "some positive 'PR' for Centerre Bank," she says.

Display tables were made available to bank employees, relatives and friends, "anybody not in business with their craft. We didn't want professional people doing this," Ms. Taylor says. The bank did not charge for the table space and exhibitors were allowed to keep all proceeds, she reports.

To publicize the event, advertisements were placed in several newspapers, including some on the Illinois side of the Mississippi, because the bank has quite a few employees there. Fliers were stuffed into statements for maturing CDs, as well as checking and savings statements. Fliers also were passed out on downtown streets the days of the bazaar. Fliers included a directory showing where each craft was and the name of the person displaying it.

The bazaar was held over a two-day period to give bank employees the chance to visit both locations on their lunch hour, Ms. Taylor says. This included the first business day after Thanksgiving, the traditional start of the Christmas-shopping season, when downtown would be crowded.

More than 500 people visited the bazaars.

Retired bank employees were sent invitations to the bazaar along with requests to help. "They responded well," Ms. Taylor says. "It was good to see our retired employees again."

In addition, the bank hired a professional photographer to take color photos of children with Santa Claus. Santa was played by a personal banker who had the personality for the part, Ms. Taylor says. Bank employees' children dressed as elves were Santa's helpers.

(Continued on page 33)

Centerre Bank customers and general public view handicrafts made by bank employees during bank's two-day Christmas bazaar, held at two downtown St. Louis locations last year.

Christmas Club Observes Silver Anniversary; Becomes Multifaceted Firm

BACK in 1910, when you could buy a loaf of bread for a nickel and a pair of ladies' shoes for $5, it was difficult for ordinary people to scrape together a little extra for Christmas gift-giving. After all, the average office worker made only $9 a week, and most people had the same problem in self-discipline then as they do now: They couldn't seem to put aside even a small sum every week.

That's when the founder of Christmas Club a Corp. envisioned weekly planned savings as a method for bank customers to save all year for holiday purchases.

"A bank was offering a savings program for Indian school children, a few pennies every week," notes John Guinan, the corporation's president. "The founder of our company saw it, was intrigued by the idea and asked the banker if he could sell the program to other banks. Today, we do business with 10,000 financial institutions."

Christmas Club a Corp. provides everything a financial institution needs to operate a savings club, including coupon books, club checks, advertising displays and incentive gifts, all graphically coordinated, says Mr. Guinan. He calls Christmas club accounts "goal-oriented savings programs that result in guilt-free spending." There is still the same strong appeal as in 1910 for bank customers who wouldn't otherwise bother to save for their inevitable Christmas needs, he adds.

This year, as Christmas Club a Corp. celebrates its 75th year in business, new studies indicate that the humble holiday savings club still is thriving, even with today's readily-available, more sophisticated investment options such as CDs, money-market accounts and government securities. In fact, the Christmas saving system that began so modestly in a small bank in Carlisle, Pa., has grown to have a significant impact on the savings habits and seasonal retailing of the nation, Mr. Guinan says.

'Cub' Scores for Bank

Key Bank, headquartered in Albany, N. Y., was seeking an incentive to increase core deposits by promoting Christmas clubs last year. Its marketing department contacted Christmas Club a Corp., Easton, Pa., for assistance.

John Guinan (l.), pres., Christmas Club a Corp., congratulates James Patrick, pres., Key Bank, Albany, N. Y., on highly successful "Christmas Cub" promotion last year. "Giant" version of cub is in foreground.

Result: The bank used Christmas Club's "Christmas Cub," a plush toy, in its promotion.

Further result: The bank chalked up an exceptional 33% increase in Christmas club deposits last December. According to bank President James Patrick, "It was our most successful Christmas club promotion ever!"

Evidently, many people still like the friendly discipline of holiday club savings programs. And, recent figures indicate that it's in a bank's best interest to attract the kind of people who use holiday savings clubs, he says. According to a new study conducted by Unidex in late 1984, Christmas club savers are better-than-average bank customers: they use more banking services than the general population and are more loyal customers.

According to figures in the study, the 46.6% of holiday-club savers who said that a commercial bank was their primary institution are more likely than non-club customers to take advantage of other bank services offered by their banks. For instance, 86.6% of holiday-club savers had regular checking accounts (compared to 76.3% of non-club savers); 22.6% had NOW accounts (compared to 16%); 31.8% had CDs (compared to 18.6%); 26.1% had installment loans (compared to 24.9%); and 24.1% had home mortgage loans (compared to 18.9%).

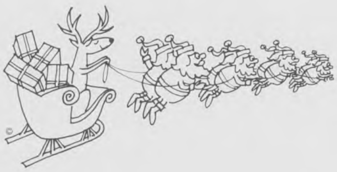
Christmas Club a Corp. has expanded and diversified over the last few years to meet the growing needs of the financial industry in its overall move towards the electronic age, Mr. Guinan says.

The Payment Systems Division develops customized tax-collection systems for 19 state governments. In addition, this division specializes in systems for the cable TV and health-maintenance industries, emphasizing savings in operational costs while improving cash flow.

Christmas Club a Corp. also has developed comprehensive direct-marketing capabilities featuring state-of-the-art computer technology, Mr. Guinan says. High-speed computer impact and laser-printing systems generate high-quality personalized letters, MICR coupon books, checks and envelopes. The on-site computer system has merge/purge capabilities for precise segmentation of mailing lists.

Another division, Full Service Bank Productions, Inc., is the official promotional agency of the ABA. It creates, markets and produces advertising and advocacy campaigns for the association's members.

U. S. Check markets and produces secure documents for financial institutions. Programs include direct-mail acquisition and enhancement packages for major credit card issuers, personalized letters and coupon books and MICR encoded checks and envelopes, Mr. Guinan says. ● ●



Bazaar

(Continued from page 31)

There was no charge for the color photos. However, the photo session was limited, so the number of children had to be limited. "The photo offer was advertised via statement stuffers only. We didn't want a flood of people that we couldn't handle. That would be bad PR," Ms. Taylor explains.

Total cost to the bank was $2,012, she reports. Major expenses were rental of 65 tables, advertising and the photographer's fee.

"I don't think it was much to pay for the good PR received," Ms. Taylor says. "And it was a fine thing for employees. It got them in the Christmas spirit. It was a lot of fun."

Centerre received several complimentary letters about the bazaar and some employees asked if it would be held again.

It will. But this time Connie Taylor has a committee to help organize it.

Kansas Christmas Featured in Wichita

Animated Christmas scenes, once a tradition in Wichita, were revived at Fourth National last year. Canned goods for the needy were collected at the general store at right.

"A REAL Kansas Christmas" was the theme of a holiday display in the nine-story interior courtyard of Fourth National, Wichita. The display featured a 25-foot tree covered with dozens of bright birds and surrounded by bird houses held aloft on birch poles and decorated with holiday greenery. Animated children characters played in banks of snow along with waterfowl. Nearby was a smaller area housing pine trees and a country store where canned goods were collected for the needy. The bank occupies the former site of a department store that featured animated Christmas displays. Many people enjoyed bringing their children and grandchildren downtown to see the displays, according to a bank spokesman. The bank is reviving that tradition. In addition, Fourth National held a series of children's caroling concerts every weekday noon from Thanksgiving to Christmas.

Yule Programs Prompt Festive Holidays

FROM greeting cards, currency envelopes, cookies and nuts to containers by Currier and Ives, Bankers Systems' array of holiday products reads like a Christmas wish list.

More than 50 holiday printed products and gift items are featured in two Bankers Systems promotional packages: Christmas Program and Christmas Club Program. The wide variety encompassed by these two programs enables bankers to celebrate the holiday season in ways unique to the institution and appropriate to its customer base.

These programs are just a sampling of the many products and services offered by the fast-growing company, headquartered in St. Cloud, Minn. Bankers Systems is a national corporation with several subsidiaries and more than 30 years service to the banking industry.

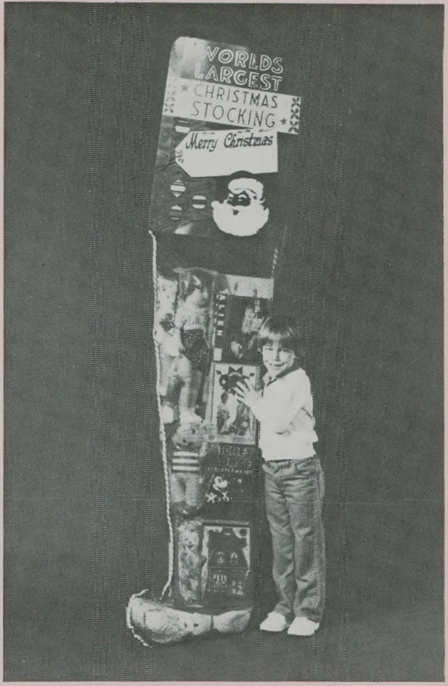
"In addition to promotional packages, we provide forms, progressive financial systems, training programs and other services to more than half the financial institutions nationwide," says Robert Obermiller, national sales manager/senior vice president, Bankers Systems.

The Christmas Program is one of the firm's oldest and most popular offerings. It celebrates the festivity of the season as well as the spiritual significance. While many products carry the "Merry Christmas" theme, others feature "Seasons Greetings" or "Happy Holidays."

The most popular product line in the Christmas Program is the greeting card/currency envelope assortment which accounts for a majority of total sales in the program, according to Mr. Obermiller. In their own ways, both greeting cards and currency envelopes have become standard expressions of customer appreciation during the holidays, he explains.

"We use greeting cards to recognize the customer at Christmas time. It's good public relations," says Elizabeth Young, assistant vice president, First Minnetonka (Minn.) City Bank. The bank uses the cards as statement enclosures to ensure that its holiday message reaches customers.

Each Bankers Systems greeting card combines a design and message to reflect the many moods of the season. Top-of-the-line cards are enriched by the luster of foil-stamping and feature a punch-out calendar that turns a message of gratitude into a practical gift. For banks especially interested in economy, two of the nine designs bear more modest trimmings.



Eight-foot Christmas stocking enables banks to increase traffic, promote goodwill through drawings for prizes contained in stocking.

While greetings cards are an unsolicited token of appreciation, currency envelopes are an item customers have come to expect from banks, Mr. Obermiller says.

"It has only been in recent years that you can pick up that kind of card at stationery stores," he explains. "That demand was created by banks."

At Farmers National, Rule, Tex., tellers are encouraged to offer currency envelopes to customers who request crisp new bills or who withdraw large amounts of cash during the holidays, says Mary Lou Landes, vice president/cashier. And, according to Cashier Clifton Talley, Farmers National, Seymour, Tex., has corporate customers who use currency envelopes to enclose Christmas bonuses.

Bank of Sun Prairie, Wis., takes a different approach to distributing the envelopes. Non-customers are charged a nominal fee for currency envelopes as are customers requesting more than 10, says Dee Fehrman, personnel/marketing officer.

"We have given them free as a customer service for years. Now, that we charge non-customers, it's a perk for customers," she says.

Coordinated drive-up envelopes and teller receipts complement the greeting card/currency envelope line and are imprinted to repeat a seasonal greeting at every transaction.

In addition to printed products, the Christmas Program features a montage of gift items for children and adults.

Balloons, savings banks, ornaments, coloring books and candy are popular gifts for children. And for special drawings, Bankers Systems offers a toy-filled, eight-foot Christmas stocking that comes with two posters, 100 entry blanks and an entry box.

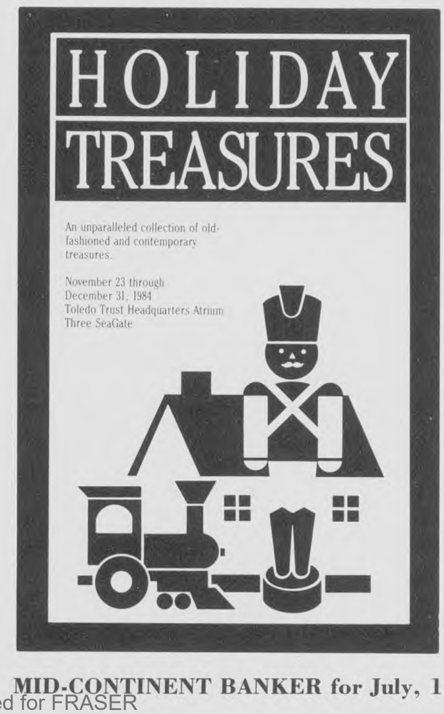
For adults, gift labels, memo books, ice scrapers, pens and potholders make useful and inexpensive giveaways. Trays and tins, candles, mugs, sewing kits, photo albums and limited-edition plates also are available as gifts and premiums. ● ●

Ideas for Yule Events

• **Making Christmas a little brighter** for needy and abused children was the goal of the "Spirit of Christmas" program conducted by five Texas American banks in Tarrant County. The public was invited to visit the lobby of a participating bank and pick a card with a child's name, age and particular wants or needs. Participants then shopped for their particular child, wrapped the gift and returned it to the bank's "Spirit of Christmas" tree. Children's names were provided by the state Department of Human Resources, and the department delivered the gifts. "We found that participants actually formed a bond between themselves and the child, and many purchased five or six gifts for their child," said Joseph M. Grant, chairman, Texas American Banks/Fort Worth. "It was a heartwarming sight to see." More than 5,000 gifts were collected. In addition, 5,000 apples were handed out to drive-up customers and employees served hot cider to customers in the bank lobby.

* * *

• **Local high school students** had opportunities to perform in a series of lunch-hour concerts at Toledo Trust. Choirs and string and brass groups from several high schools performed in hour-long concerts the week before Christmas, capped by a piano concert of holiday melodies. Backdrop for the concerts was a display of antique dolls, trains, toys, teddy bears and doll houses, including a variety of miniatures created by local artists and hobbyists. The exhibit was coordinated with a toy store and included displays of the private toy collections of three individuals.



* * *

• **The sounds of Christmas** echoed through Devon Bank, Chicago, where the holidays were celebrated with two free holiday music concerts and a children's theater production. The concerts featured brass and string quartets. The theater presentation featured "The Tale of the Dragon and the Flute," performed by a children's theater troupe. Devon Bank also participated in the "Peace Around the World" program. Sponsored by the local Chamber of Commerce, this holiday program focused on the community's multi-national heritage and shopping opportunities.

* * *

• **Ameritrust, Cleveland**, collected food and money to help the needy for the eighth consecutive year. During this time, employees have collected more than $50,000. Last year, the bank donated $7,500 to a matching fund. Donations were distributed by the Hunger Task Force and Salvation Army. In addition, the bank aided a local "Feed a Family" campaign by encouraging donations and distributing envelopes.

* * *

• **"Sharing 'N' Caring"** was the theme of the holiday campaign by the Vista Club of Centerre Bank of South County, St. Louis. The program aided the Salvation Army's campaign to collect canned goods, packaged foods and toys for the needy. Donations were accepted in the bank lobby. The Vista Club provides travel, entertainment, product discounts and seminars along with a variety of financial services to members, who are age 50 and over.

• **"How to Analyze a Bank Statement,"** by F. L. Garcia, seventh edition, contains techniques to perform detailed ratio analysis to measure and compare bank performance. Sample statements and reports of banks and bank HCs are used to illustrate points made in the text. First published 50 years ago, the book includes new regulations and laws from the SEC and banking agencies. Mr. Garcia also has edited the *Encyclopedia of Banking and Finance* since 1947. The book may be ordered from Bankers Publishing Co., 210 South St., Boston, MA 02111.

Bank's Santa Brings Smiles

Santa Claus brought smiles and toys to 150 boys and girls from local children's homes and community centers, when Frost Bank, San Antonio, sponsored its annual gift-wrapping contest. The Frost Bank Choir sang Christmas carols while refreshments were provided. This was the 19th year bank employees have participated in the gift-wrapping contest.

Conventions

(Continued from page 18)

"Banking has given away more services than any other industry. We have to start charging for the things we do in banking," he said.

"Another area of change began shortly after World War II: a higher level of management. We've come a long way, but as we see more competition and more deregulation, management is going to become even more critical than it is now.

" 'We've got to have Regulation Q to save us from ourselves,' a banker friend once told me. I told him, 'If we need Reg Q, then we need a whole new cadre of management in banking in America,' " Mr. Francis said.

Val Whitaker (r.), pres./CEO, Farmers Bank, Blairstown, receives 50-Year Club pin from club Sec. R. Quinn Fox, v.p., Centerre Bank, St. Louis, during annual club luncheon at MBA convention. Not present were new club members Floyd E. Higdon, ch./CEO, Iron County Security Bank, Ironton, and Velma Tester, e.v.p./cash., Green County Bank, Strafford.

Convention attendees also received some survival tips from Willis W. Alexander Jr., recently retired ABA executive vice president and a past president of the MBA.

First, use your state and national associations, he told the group. Associations provide two major benefits: training/education through seminars, workshops, videotapes and other media; and a voice in the legislative process through government-relations committees.

"Renew your focus on customers. Listen to your customers. Find out what truly are their wants and needs. And meet those needs, in terms they can understand.

"We have a tendency to find out what technology can do for us and then trying to get the customer to adapt to it," instead of putting the customer's needs first, Mr. Alexander said. In line with this, he recommended bankers read the books *In Search of Excellence*, and *A Passion for Excellence*, for guides to management.

"We should reaffirm our commitment to fundamentals. Bring lower-level employees into the surveying and decision-making process. They know what people want.

"Give employees leadership. Not so much management as leadership. Marco Polo, Columbus, Lewis and Clark didn't know exactly where they were going, but they had a sense of mission."

In addition, the convention program included a panel of tax experts, who discussed President Reagan's proposal to simplify the tax code, and a panel of five of Missouri's top elected officials, who discussed "The State of the State."

New officers for 1985-'86 were elected. They are: president — James C. Moser, president, bank of Poplar Bluff; president-elect — Eugene A. Leonard, senior vice president, Mercantile Trust, St. Louis; and vice president — Richard S. Pryor, president, Bank of Jacomo, Blue Springs. ● ●

Deregulation Continuing, Martha Seger Tells New Mexico BA

THREE major points about banking deregulation were made by Fed governor Martha Seger at last month's convention of the New Mexico Bankers Association in Albuquerque.

Bank deregulation is continuing and a reduction of barriers to interstate banking is a part of the deregulation process, she said. She noted that, while the Fed has made some relatively specific recommendations to the Congress, other proposals also will be considered; therefore, the ultimate outcome in the Congress is unclear at this point.

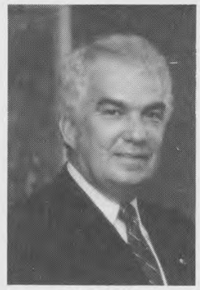
Finally, Ms. Seger pointed out that while there is proposed legislation in the Congress and the odds for change are higher than in the past, one must not discount the lingering opposition to change — one should not assume that something must happen this legislative session.

On the topic of regional interstate banking, Ms. Seger said the Fed has indicated on numerous occasions it does not believe regional banking compacts are the appropriate way to move toward interstate banking.

New Mexico BA Officers

ROBERTSON
Pres.

FOLEY
Pres.-Elect



NICHOLS
Sec.-Treas.

JANECKA
Exec. V. P.

"While the widespread adoption of regional interstate banking would lead to the balkanization of the banking industry, we cannot find any substantial offsetting economic merits to this approach other than the fact that they begin the breaking down of state barriers to expansion," she said.

Ms. Seger hammered home that above all other issues, the Fed board is concerned about the future safety and soundness of the banking system.

Another major address to the convention was made by Glen E. Lemon, chairman/CEO, First Bank, Booker, Tex., who discussed the future of the community bank.

"As we think about the future of community banking, and where our industry is headed," he said, "we must be careful to distinguish fact from fiction, threat from opportunity and real economic danger from political opportunism."

"Never have greater opportunities challenged" the community banker . . . and "while we will face challenges, the privilege of being custodian for your customers' money will provide us with more opportunities than ever before," he said.

He pointed out that the community banker's biggest problem has never been the nonbank competitor.

"Our biggest problem is not the huge money-center banks in New York or California, not any branch of government and not the S&L industry . . . our main problem is our own complacency."

Mr. Lemon added that community bankers have not always held full-service banking "as our primary responsibility and we have too often turned away customers by simply telling them, 'we're sorry, we don't offer that service.' "

He drew a sharp contrast between the protection offered depositors with funds in smaller banks as opposed to those with deposits in large institutions, citing in particular the coverage extended to those who had their money deposited with Continental Illinois, Chicago.

"If we are really interested in improving the image of banking, we need to be more interested in keeping our customers' money safe," Mr. Lemon said, adding, "It should make no difference whether a customer banks in Albuquerque, N.M., or Booker, Tex., the FDIC should provide identical and equitable coverage to every depositor."

New Mexico bankers also heard from Neil Milner, executive vice president, Iowa Bankers Association, Des Moines, who went into considerable detail about the deteriorating agriculture land values and problem loans in Iowa.

"We're looking at the beginning phases of the biggest restructuring of farm assets in this country we've ever seen," he said. He added that the $80 billion farm-credit-loan operation in this country "isn't broke yet, but it could happen."

Mr. Milner suggested bankers demand a reduced federal deficit even if it hurts banks. He is convinced that, if Congress really reduced spending, interest rates would drop, the value of the dollar also would come down and exports would increase.

He also stressed the need for a farm bill in Congress before the winter-wheat planting season gets underway.

Mr. Milner noted that farmers haven't known what the agricultural program would be for the coming year until the seed was in the ground. He said farmers can't deal with a maybe — they need a yes or no!

Outgoing NMBA President Jack Daniels lauded association members for the way they managed "tough issues." He told the convention the association has policies and procedures in place that give fair representation to all views and that the staff, board and officers do everything in their power to see that "all members have the opportunity to participate in the association's decision-making process."

Under Mr. Daniels' leadership, the NMBA moved into new offices and also named a special committee to examine the feasibility of the association taking an ownership position in future office space.

During the convention, Bill Robertson, president/CEO, Citizens Bank, Las Cruces, took over the presidency of the association, succeeding Mr. Daniels, who is chairman, Moncor, Inc., Albuquerque. Jim Foley, president/CEO, First National, Belen, was elected president-elect and Douglas G. Nichols, president, United New Mexico Bank, Albuquerque, was elected secretary-treasurer, succeeding J.W. "Bill" Craig, president, First Interstate, Albuquerque. ● ●

WISCONSIN — New officers (from l): Dean A. Treptow, pres.; Richard J. Roesler, v.p.; Richard P. Klug, treas.; John W. Johnson, retiring pres.

Dramatic Freedom Theme Moves Many Bankers at Wisconsin Convention

THE NEWS of the hijacking and holding of TWA Flight 847 provided a dramatic and ironic backdrop when Wisconsin bankers convened in Milwaukee last month to discuss freedom.

This was the 89th annual convention of the Wisconsin Bankers Association (WBA), and, according to outgoing President John W. Johnson, president, Bank of Spring Green, "Freedom is the theme of the convention this year — freedom as Americans and freedom as bankers . . . to choose . . . to compete . . . and to survive in the challenging and competitive environment of the financial-services industry."

Bryan K. Koontz, WBA executive director, emphasized the association's role in helping bankers achieve banking's freedoms. Among those freedoms he listed the freedom to compete, the freedom to survive, the freedom to merge, the freedom to offer services, the freedom to make a profit and the freedom to be a professional.

Mr. Koontz stressed this last freedom and warned of the danger inherent in its loss. Banking cannot be allowed to degenerate into a *business* from a *profession*, he said. Bankers are unique and they are among the elite, he added.

Freedom of choice was the focus of a panel discussion that weighed the pros and cons of mergers and bank independence. Panelists W. J. Morrissey, president, Marine Bank Southwest, Elkhorn; Leonard F. De Baker, president, First National of Stevens Point; Robert C. O'Malley, chairman/president, United Bank, Madison; H. Lee Swanson, executive vice president, State Bank of Cross Plains; Bryant E. Wackman, president, Brooklyn State; and Richard D. Pauls, chairman, First Interstate Bank of Wisconsin, Sheboygan, alternated in describing the philosophical and practical considerations involved in their decisions to merge or to remain independent. Arguments and positions were notably reasonable on all sides of the issue, although Mr. Swanson's staunchly independent stand brought forth the most widespread and vocal audience approval. The variety of ideas shared made it clear that the banker must be free to choose the proper direction for his own bank.

Bank profitability analyst Alex Sheshunoff, Sheshunoff & Co., Austin, Tex., echoed a similar "freedom of choice" theme in his address, "High Performance Banking in 1985." According to Mr. Sheshunoff, the following are the six major choices facing today's banker: 1. stay independent; 2. establish closer relationships with other independent banks; 3. form multi-bank holding companies; 4. sell to another banker or to investors; 5. merge with a bank holding company; or 6. get involved in a franchise program.

Mr. Sheshunoff underscored his belief that the bank's greatest asset is its name and identification in its community and his confidence that the small bank will survive. He also emphasized that the real challenge in banking's future is to pick up good loan demand. Good loan officers, he said, will be moving from institution to institution, and they will be taking loans with them.

John G. Stoessinger, Cox Distinguished Professor of Internal Affairs, Trinity University, San Antonio, Tex., stirred the thoughts and emotions of bankers with his talk about world peace in the 1980s. He addressed the effects of current world events on bankers in Wisconsin, focusing his attention on the Soviet Union, China, Japan, South America, South Africa and the Middle East.

Although his topic was broad, Dr. Stoessinger was able to illustrate the importance of international events on the lives of these bankers. For example, he pointed out the importance of bankers reducing exposure to South American loans.

Dr. Stoessinger received an emotional and enthusiastic reaction from his audience as he stated the three ways he believes Wisconsin bankers are blessed: 1. Bankers are the backbone of the economy and what they do on a day-to-day basis is vitally important; 2. the Wisconsin banker lives in one of the most beautiful states in the union; and 3. the Wisconsin banker lives in the greatest country in the world.

After a stirring slide presentation on America, Howard K. Smith closed this celebration of freedom with a stirring talk on his view of America. He stressed that our country's most serious problem is a complacent attitude and urged bankers to help solve America's problems by taking action.

Dean A. Treptow, president, Brown Deer Bank, was installed as WBA president at the convention banquet. Serving with him are Richard J. Roesler, president, First National, Platteville — vice president, and Richard P. Klug, president/CEO, F&M Bank, Menomonee Falls — treasurer. • •

• **Steven Bacon** has been named director of marketing/video services at Bacon/Metropolitan, architectural firm headquartered in Ste. Genevieve, Mo. Mr. Bacon's duties include production of specialized presentations for banks and documentation of construction on bank-design projects. Bacon/Metropolitan is the new name of the former Richard Bacon AIA Architect & Associates, Ste. Genevieve, and Metropolitan Engineering, St. Louis. The firms merged recently.

Book Presents Strategies For Bank Sales Program

"Bankers Who Sell: Improving Selling Effectiveness in Banking," by Leonard L. Berry, Charles L. Futrell and Michael R. Bowers, $24.95 ($20 for BMA/ABA members). Publisher: Bank Marketing Association, 309 W. Washington St., Chicago, IL 60606.

"Bankers Who Sell" provides a step-by-step approach to developing a bankwide sales program, according to the BMA. Much of the book came from a two-year study of 10 banks that have developed successful sales programs. The 158-page guide is a joint venture of the BMA and Dow-Jones Irwin, and was written by three instructors at Texas A&M University.

The book covers the traditional challenges of sales management: selecting, motivating, training and supervising employees, and introduces several new sales techniques.

• **Saul B. Klaman** has been named vice chairman, Golembe Associates, Inc., a Washington, D. C.,-based financial-consulting firm. He recently retired as president, National Council of Savings Institutions. He will provide consulting services to thrifts. He is a former economist for the Fed's Board of Governors.

• **Edward L. Yingling** has been appointed executive director for government relations by the ABA. He had been a member of the Washington, D. C., law firm of Barnett, Yingling & Shay, P. C., for the past 11 years, where he represented banks and other financial institutions before Congress and regulatory agencies.

• **Kent R. Whitaker** has been promoted to vice president/construction division manager at Bunce Corp., St. Louis. He is responsible for project management and estimating. He formerly was vice president/southwest region construction.

Electronic Banking: Current Status/Trends

Point of Sale, Home Banking Surveyed

By Thomas E. Reynolds
Group Vice President
Speer & Associates
Atlanta

PART one of this article, dealing with ATMs, appeared in the June issue.

* * *

Point-of-Sale Service Development

A GREAT DEAL of renewed interest in POS has been expressed recently by both merchants and financial institutions.

Merchants have begun to upgrade their POS services primarily in an attempt to streamline their operations and to provide electronic draft capture at the store/terminal level.

Financial institutions, on the other hand, have renewed interest in POS direct debiting because of the emergence of shared networks with their shared terminals and large card bases.

Mr. Reynolds manages consulting projects throughout the world for Speer & Associates, a firm that specializes in strategic planning for financial institutions. He has more than 18 years' experience in banking and is a former member of the staff of First National, Atlanta.

POS Services. It is important to understand the services provided at the point-of-sale and how they are received by both financial institutions and merchants. These services fall into four broad areas.

• Credit-card authorizations represent the largest volume of POS transactions at this time. The authorization process is increasingly being performed in a more automated, electronic mode as antiquated paper bulletins and manual dial terminals are disappearing in all but lowest-volume-merchant locations.

Major oil companies are leading the way in automating the credit-card-authorization process. They also are beginning to perform electronic-data capture from these same terminals and locations, using the same telecommunications systems and networks.

• Data capture at the point-of-sale has been occurring with major merchants for a number of years. For many merchants, the data captured include only product sales information. Increasingly, however, merchants are capturing customer and account information to be used for billing purposes and in sales analysis. This data-capture process continues to be performed predominately via polled terminals or through cassette storage.

More recently, data capture is occurring electronically from the POS terminal at the time the sale takes place. Data are being transmitted to a computer to be used in preparing sales reports and customer statements. In this area, major oil companies such as Mobil, Shell and Chevron, are among the leaders.

• Check verification at the point-of-sale also is not a new POS transaction. Merchants have used paper bulletins and on-line negative/positive files for this function. Third-party providers, such as Telecredit and Telecheck, have provided merchants with a relatively economical and effective means to verify customers' checks. Many merchants still maintain their proprietary check verification procedures, claiming they are less expensive than systems provided by third-party vendors.

Where terminals have been used for on-line check verification, in most cases, these terminals are dedicated to the check-verification function and will not handle other POS functions. For this reason, these systems probably will not evolve into full-service POS systems and may even be made obsolete by a future generation of terminals that can handle all POS transactions. It is also very likely that direct debiting will replace some check-verification transaction at the point-of-sale.

• Direct-funds transfers, more commonly called direct debiting, is the fourth major category of POS transactions. It is the POS service that is just beginning to be implemented across the country in numerous pilot tests and in a few market-wide applications. It is the direct-debit transaction on which financial institutions are focusing and about which there is great controversy regarding pricing, benefit flows and control of the payment system. While this transaction is central to financial institutions' concern, it is but one more transaction type or function that the merchant can handle at the point-of-sale. Merchants have yet to be convinced that this transaction benefits them and are even less certain

Video Banking Gains

An estimated 58,000 consumers and small businesses are using computers and terminals to bank from homes, offices and other sites.

An estimated 25 banks and other financial institutions in the U. S. offer video banking services, and almost that many others are experimenting with pilot programs according to a survey made by *American Banker* newspaper.

Chemical Bank, New York City, and Bank of America, San Francisco, are the acknowledged leaders in video-banking services. Chemical is serving 17,000 households and about 23,000 individuals with its Pronto Personal service and another 4,000 small businesses with its Pronto Business Banker service. Bank of America offers its HomeBanking service to about 18,000 customers.

The totals represent about a one-third increase since January.

they are willing to pay for its occurrence.

The following discussion about POS participants and issues relates only to the direct-debit transaction.

Major POS Players and Issues. The three major participants in the development and use of POS services are financial institutions, retailers and the consumer. The current level of involvement differs from each party, as do the key issues for each.

Financial institutions primarily are interested in control of the payment system and the potential for new revenue from providing the service. They currently control the large debit-card bases that can be used in shared ATM networks and POS terminals. Financial institutions also are the architects and owners of most of the large regional and national shared ATM networks. Financial-institution focus primarily is on the direct-debit transaction.

Retailers, on the other hand, primarily are interested in cost savings that can be achieved via electronic-data capture and data transmission. Control of the payment system is not of major concern to the retailer. However, retailers control most of the terminals in place at the point-of-sale. They also, in many cases, control large credit-card bases used in these terminals.

Merchants do not, at this point, control debit-card bases. Because they have developed their own terminal networks at great expense, merchants are adamant about not paying POS transaction fees to financial institutions.

The consumer is perhaps the least known, least predictable party in the overall POS equation. We are not sure how rapidly the consumer will use POS, if at all, beyond the pilot-test environment. POS could prove to be like telephone bill paying, where 10% were quick to adopt but remain the only user group after more than 10 years. The consumer does not know enough about POS at this point to verbalize concerns and issues.

We in the industry believe, however, that the consumers' major issues will be cost, convenience, ease of usage, merchant acceptance and security. We also believe that, with proper pricing and promotional effects, consumers will use POS services to a greater extent than they have used ATMs.

Several requirements must be met for POS direct-debit transactions to occur. The first tangible requirement is the terminal-network environment. The second tangible is the large consumer card base that can be used in the terminals. The third intangible requirement is the acceptance by financial institutions, merchants and consumers of this payment service.

POS Direct-Debit Experience. At the end of 1984, about 125 to 150 POS pilot tests were underway in the U. S. These tests involved from 5,000 to 7,000 terminals that were handling approximately 150,000 to 200,000 monthly direct-debit transactions, or about one transaction per terminal per day.

There is no market in the U. S. where direct-debit transactions exist in sufficient volume to be economically feasible. POS volumes at that level probably are two-to-five years away, even in markets with large POS potential such as Florida, Texas, Washington, D. C., California and Ohio. The most active participants in POS direct debiting have been oil companies, supermarkets and convenience stores.

POS services will continue to be offered primarily on a limited market, pilot-test basis. Significant volume to make the service economically sound probably will not occur for at least two to five years. For significant large-scale development to occur, the issues of benefit flow must be resolved by financial institutions and merchants. For significant usage to occur, consumers must be convinced that direct debiting offers them tangible benefits. Financial institutions wishing to prepare for POS should consider participating in a well-planned and executed pilot test, if participation costs are reasonable.

EXHIBIT 1

Telephone Bill Paying

- In-touch, 1973
- 13% annual growth since 1981
  - —1975: 10 institutions
  - —1981: 400 institutions
  - —1983: 500 institutions
  - —1984: 550 institutions
- One million active accounts
- $100 average payment
- Transaction costs as low as $.25

Home Banking

Home banking can be traced back to the early 1970s and the introduction of telephone bill paying. By 1985, a number of key issues had evolved in this service area where rapid or widespread growth has not occurred.

The major questions about home banking are:

- What services will be provided?
- What price will be charged?
- Which suppliers or vendors will provide home-banking services?
- What is the overall course of this product's evolution?

A major hurdle in the widespread acceptance of home banking is the cost of terminals necessary for the consumer to participate in an interactive service. While the technology to make home banking a reality is here with us now, consumer resistance and the cost of the technology continue to inhibit usage. Until some of these major issues are resolved, home banking will continue to be a product in search of a market.

Telephone Bill Paying began in 1973 with the In-Touch Service of Seattle First National. By 1975, as shown in Exhibit 1, only 10 financial institutions were offering this service. Growth, which was slow at first, accelerated in the late '70s and early'80s, resulting in about 550 institutions offering the service by 1985. Those institutions represent about one million customer accounts that are performing about 74 million annual transactions. The average bill payment by telephone is $100 and several providers of the service claim that the cost of providing this service is as low as $.25.

Vidoetex Home Banking services are becoming technological realities while they remain only pilot tests as far as consumer involvement is concerned. As of late 1984, there were 20 to 22 financial institutions offering these services. Another 25 to 30 financial institutions were involved with pilot tests and 15 to 20 more had plans to get into this business.

About 40,000 to 45,000 households are using the services with about one-half of these users being customers of Bank of America in California.

Excluding the Bank of America program, the average home-banking program serves about 1,200 customers. The most popular services offered in home-banking programs in 1984 were bill paying, statement retrieval and brokerage.

By late 1984, four major providers of videotex home banking services had evolved. While none of these providers enjoyed successful, non-market success with their services, all had made major commitments to videotex and had launched pilot tests.

The Viewtron service, offered by Video Financial Services, had 11 financial institutions signed. These financial institutions had about 2,800 subscribers using the service. The terminal necessary for use of the service costs consumers $600. Additional fees were $12 per month and $1 per hour for telephone-line costs. Video Financial Services has expended more than $35 million to date developing the service and expects to spend another $17 million this year.

Home Banking Interchange (HBI) is the home-banking service owned by ADP. ADP purchased Telephone Computing Service, the surviving entity of In-Touch, and is the only third-party provider of home-banking services at this time. At year end, HBI had 14 member institutions with 1,200 household customers. Users were being charged $7.50 per month for terminal rental.

Pronto, the home banking offering of Chemical Bank, had about 10 licensees at year-end 1984 with about 15,000 users. Users are charged $12 per month for the service. Chemical has invested more than $20 million in this service.

Bank of America entered the home banking/videotex arena later than the other three major providers. It has, however, surpassed all three in terms of user base. Bank of America claimed 20,000 users at year end 1984, each of whom had to have his/her own personal computer in addition to paying $8.50 per month.

Additional home-banking services will be offered by both financial institutions and third parties as the market attempts to sort itself out. These ventures will not be profitable or even widely accepted until the cost of participation and other major issues have been resolved. It is entirely possible that home banking and videotex will not find a mass market equal to that of ATMs for many years. ● ●

Premiums

(Continued from page 9)

away. They would just get another gift," Mr. Bollinger says.

The program was advertised once a week with a half-page ad in the town's daily newspaper. Ads also were run in a senior citizens' newspaper and a free-distribution suburban newspaper.

Bank employees asked customers where they heard about the program. The daily newspaper was the most frequent response.

In addition, a flier was used as a statement-stuffer, sent with CD-renewal notices and placed in the lobby. Directors were asked to pass them out to friends.

The program was reinforced among bank employees by the awarding of prizes, such as TVs, for the most money brought in.

The next time employee incentives are used, Mr. Bollinger says, the bank will make sure that employees who open CDs as part of their regular duties do not receive credit at the same rate as employees in other departments who cross-sell CDs.

"To pay for the premiums, interest rates were not shaved. Interest was compounded annually instead of quarterly. The cost of the gift was reported to the customer on a form 1099 as interest," Mr. Bollinger says.

The program attracted nearly twice the goal of $1 million. "We ended up with about $1.98 million in deposits, with more than $1 million in new money.

"Some of the most popular items were a cordless phone, a 12-inch chain saw and a 13-inch color TV," Mr. Bollinger says.

Smaller items such as clock-radios and clock-radio-telephones also were popular.

Most of the money was deposited in the form of $10,000 and $15,000 CDs.

"Stereos were not popular at all. The age group 45 and above does most of the depositing and they're not interested in stereo systems," Mr. Bollinger says. Older customers wanted 13-inch TVs, chain saws and microwaves.

The premiums were drop-shipped by Connelly Associates. The bank merely filled out forms for customers and mailed them to the firm.

The promotion ran from June 1 to December 1. "We wanted to cover the holiday season because a lot of these customers use premiums as Christmas gifts," Mr. Bollinger says.

Much credit for the program's success is due to the premium firm, Mr. Bollinger says.

"Connelly gave good service. The firm showed us how to figure the margins needed to pay for gifts and what types of promotional materials to use. The rep was very helpful."

The firm also provided advice on how to select premiums. For example, winter sporting goods are more popular in the north. A retirement community would call for particular items.

Connelly also helped design the advertising campaign and advised when to change it. "If you have problems, the rep knows your area; he knows how to market in your area."

The program attracted nearly twice the goal of $1 million. "We ended up with about $1.98 million in deposits, with more than $1 million in new money."

Follow-up service was good. The rep provided training on how to sell the program. In addition, "electronic items break down occasionally. It was no problem, they replace them."

"We were very happy with the success of the program."

One of the bank's best pieces of advertising ended up costing almost nothing. The bank bought one of each premium and displayed them in a lobby case. The cost of a set of premiums was $3,900.

The display stimulated a lot of interest among walk-in customers. "They would see it and ask questions," Mr. Bollinger says.

Fortunately, every item eventually was distributed as a premium and the bank recouped the $3,900.

"I was afraid for a while that I was going to have to give my wife a grandfather clock for Christmas, but someone wanted it. I didn't set stuck with a thing," Mr. Bollinger says.

Advertising was the major expense of the program. Total expenses were $8,953.

The program is being brought back for another run, this time featuring Zenith electronics. With interest rates low, the average customer is reluctant to lock rates in for long terms, Mr. Bollinger says. A Zenith 19-inch color TV or VCR might change the customer's mind, he says. This year's goal: $1.5 million. — **Joe Lawler, assistant editor.**

RMA Fall Conference To Be September 22-25

Some 2,000 members of Robert Morris Associates (RMA) and their spouses are expected to attend RMA's 71st annual Fall Conference at the Sheraton Boston (Mass.) Hotel & Towers September 22-25. RMA is the national association of bank loan and credit officers. RMA's Fall Conference is the organization's largest meeting of the year.

This year's program will focus on a wide range of topics of interest to both domestic and international commercial-lending officers. RMA's 1985-'86 President Edward J. Williams, treasurer, Brown Brothers Harriman & Co., New York City; James Howell, chief economist, Bank of Boston; and Edward E. Crutchfield, Jr., chairman/CEO, First Union Corp., Charlotte, N. C., are among those giving major addresses.

Panel presentations and small group discussions will cover the following topics: the competition's view of the financial-services industry five years from now; loan documentation from a lawyer's perspective; commercial-loan sales/marketing management; asset sales, interest-rate swaps and other emerging techniques; recent regulatory initiatives and their effect on lending policy; managing the loan volume/quality trade-off; and managing credit services in newly merged/acquired institutions.

The business program also will focus on international lending for regional banks; the importance of continuing education for account officers; managing the loan-approval process; problem-loan strategies; standby letters of credit; lending to and advising middle-market companies; loan-officer workload, productivity and standards of performance; loan monitoring; computerized trade finance; and lending to specialized industries such as agriculture, public utilities, health care, high tech and real-estate construction.

Chairman of RMA's 71st annual Fall Conference planning committee is RMA 1985-'86 national President Edward J. Williams. Mr. Williams is being assisted by RMA's administrative committee and a committee of officers in RMA member institutions within the association's host — New England Chapter.

CONVENTION CALENDAR

(Continued from page 4)

Aug. 11-16: ABA Business of Banking School, Boulder, Colo., University of Colorado.

Aug. 11-23: ABA National and Graduate Trust Schools, Evanston, Ill., Northwestern University.

Aug. 11-24: Central States Conference 1985 Session Graduate School of Banking, Madison, Wis., University of Wisconsin.

Sept. 8-10: Kentucky Bankers Association Annual Convention, Louisville, Galt House.

Sept. 8-11: ABA National Conference on Human Resources, Washington, D. C., J W Marriott Hotel.

Sept. 11-13: Dealer Bank Association, Municipal Traders and Underwriters Seminar, Denver, Colo., Keystone Resort.

Sept. 15-18: National Association of Bank Women, Annual Convention, Philadelphia, Franklin Plaza.

Alexander

(Continued from page 14)

attempting to operate under today's deregulated environment was an admonition to test new ideas and techniques against old and familiar fundamentals.

"We've become very sloppy with many of our procedures, and we've too often been tempted to play follow the leader," he said. "Many of us think that if it seems all right and other people are doing it, then go ahead. I would suggest that is a prescription for disaster."

Mr. Alexander, who is a former ABA president as well as a past president of the Missouri Bankers Association, also suggested that bankers will have success in direct proportion to the degree to which they renew their focus on their customers.

"Identify whom you want as your customers and find out what they want and need," he advised. "Then meet those needs and express yourself in terms they understand and will respond to."

He also urged bankers to use their associations — national and state — as the "fantastic resources they can be."

• **Bunce Corp.** is offering a series of brochures focusing on recent construction projects. The brochures cover architectural services provided on special projects and general services, including construction management, general contracting, design/build and interior-design services. The company has offices in St. Louis and Dallas. Write: 1266 Andes Blvd., St. Louis, MO 63132.

Berry

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Sales-skill development involves selling to prospects — dealing with strangers; managing account relationships; and learning communication skills.

The best sales people serve customers, not the bank, Dr. Berry said. They're interested in helping customers win, not lose, when dealing in financial services.

Developing sales skills is an ongoing process. It involves the development of individual selling styles for employees and it includes a mix of educational resources and approaches. Training should go beyond the classroom; it should involve the use of videotapes and other effective training aids, he said.

Keeping score. Employees need to know that others will know how they're performing. The performance of each sales person should be measured accurately, and frequent and timely reports should be made.

The measurement system must be simple to understand, it must be fair, it must emphasize results over efforts and focus on the key selling behaviors of each position, Dr. Berry said.

Tangible rewards should be given for performance. Rewards can take the form of raises, prizes or bonuses, but all should be in addition to annual merit raises.

When promoting a salesperson, it's important to keep that person in selling. Promoting a sales-oriented individual into a management role could spell disaster, he said.

Salespeople who are properly rewarded and recognized for their efforts are encouraged to make even greater sales efforts. It makes them want to "go for it"!

Developing a sales culture is not an easy task, but bankers have no choice in today's deregulated environment. Remember, Dr. Berry concluded, every financial institution wants your best customers! • •

Davids

(*Continued from page 46*)

ers, use a technique called "brown-bag-lunch" firing. The officer doing the firing invites the candidate for firing to lunch. During lunch another employee appears with a brown bag. In the bag are the contents of the ex-employee's desk and locker as well as the termination check.

The fired employee is told that he/she does not have access to the computer, or for that matter, any area other than the public lobby.

Why is this necessary? Banks that fire disgruntled employees fear sabotage of software or even labels on computer tapes. Rather than face this possibility, the break is made quickly and cleanly. ● ●

Tax Reform

(*Continued from page 8*)

tirement plans. Some of the more relevant proposed changes are:

- Revised limits on deductions for contributions to ESOPs.
- ESOP stock would be required to be distributed as it becomes vested.
- Unified rules for distributions from retirement plans.
- Modified deduction rules for qualified retirement plans.
- Modified annual limits on contributions and benefits under qualified plans.
- Imposition of a recapture tax of 10% on plan funds reverting to an employer on plan termination.
- Establishment of an $8,000 annual limit on cafeteria-type plans.
- Spousal IRS contribution limit for non-working spouse increased to $2,000.

It is evident from the preceding brief discussion of the major proposals affecting the banking industry that this piece of tax legislation would substantially increase the tax burden of banks. Furthermore, by limiting the net-operating-loss-carryback period to three years while simultaneously eliminating loan-loss reserves entirely, the ability of banks to offset future losses against prior years' taxable income is significantly reduced and the likelihood of additional bank failures resulting from loan losses is significantly increased.

In view of the difficulties encountered by our banking system in the past five years, this seems a particularly curious time to enact such provisions. ● ●

● **Taylor Ernst** has been appointed vice president/operations at Christmas Club a Corp., Easton, Pa. Most recently, he was administrator/information services with Bethlehem Steel Corp. Christmas Club a Corp., originator of the Christmas Club savings plan, is celebrating its 75th anniversary this year.

Index to Advertisers

By Dr. LEWIS E. DAVIDS
Professor Emeritus of Finance
Southern Illinois University, Carbondale

Bank Fraud and Board Responsibility

EACH year every bank board should revise its security policy. A good number of boards simply reaffirm the policy that was in effect the previous year.

The board designates a security officer. That individual is charged with security procedures such as placing cameras in the lobby and holding training programs for employees on what their reactions should be in case of crimes such as armed robbery or kidnapping. This certainly is a desirable development.

However, robbery and extortion are only a fraction of internal crime. In the decades I have been a banker or have taught banking, I have become convinced that FBI figures on bank crimes, including internal embezzlements, are substantially understated. Employee-related theft often is covered up and not reported to authorities. Bank executives often have compassionate reasons for not reporting white-collar crimes. In addition, bank officers know people would be reluctant to put their funds in institutions that are known to have suffered internal embezzlements.

It amazes me that individuals who cover up white-collar crimes not only violate bank regulations but jeopardize the bank's insurance.

An authority on white-collar crime estimates that, in this country, white-collar and computer crime cause losses of approximately $10 billion a year. Of this, a substantial portion is in banking. The 1981 embezzlement of $21 million from Wells Fargo, San Francisco, probably was only the tip of the embezzlement iceberg.

We probably never will know the number of white-collar computer crimes, not only because many are not reported by faulted bank management, but because many will never show up because sophisticated embezzlers can erase audit trails.

Some knowledgeable people point out that few embezzlements using computers have been revealed by auditing procedures. Often it is only by accident that they become known.

I recall the bank clerk with an obsession for playing the horses who rounded out interest payments, dropping fractions of mills into a pooled account he was able to control. When interest is computed, most accounts have interest due that includes a fraction of a penny. When an institution has hundreds of thousands of these accounts, rounding off can result in a sizable amount over time.

We probably never will know the number of white-collar computer crimes, not only because many are not reported, . . . but because many will never show up because sophisticated embezzlers can erase audit trails.

The computer-software industry has been plagued by counterfeiting and unauthorized reproductions of software packages. I recall the well-publicized case in which a Japanese computer firm paid several hundred million dollars in partial settlement for industrial espionage it had conducted against IBM.

A more philosophical note. When I was attending college, a course in ethics was required. During the 1960s and '70s, with the development of computers, the school was pressured to add courses such as FORTRAN and COBOL. One concomitant was the necessity not to exceed the number of hours required for a degree. Something had to give, and the course in ethics became a casualty.

This can lead to behavior like the recent case at one of the most prestigious business schools. In a team-case-approach course, one of the teams obtained computer printouts of another team and was able to use them to outperform the other team.

In several of the universities with which I have been associated one of the most serious security breaches is the use of "account numbers" for accessing the mainframe computer. Individuals illegally using access numbers often presume they are doing no harm and simply are polishing their computer skills.

One incident occurred when I visited my office in the evening and found a graduate student playing Star Wars on the computer. That individual did not realize that he was doing wrong.

Unfortunately, existing statutory and common laws often do not mention some of the more sophisticated computer crimes, swindles and embezzlements. In fact, computer "jocks" feel it is "macho" to beat the system. Some computer experts feel that beating the system actually helps advance the state of the art because it tends to encourage better security.

In several recent bank failures, examiners contended that computer records had been "cooked" and the examiners themselves were, to an extent, at fault. They explained that they had to give warning of an examination so that computer printouts would be available. This permitted computer records to be falsified to make the bank appear to have fewer non-performing loans.

A generation ago, when a banker was to be fired, it was customary to give him at least two-weeks' notice. While this is still done in some banks, a growing number of financial institutions, especially those with comput-

(Continued on page 45)

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James Patrick, president
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