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Question: Are Installment Loans Profitable?

With lending rates moving up in all areas and with credit availability sharply reduced, some bankers are beginning to wonder about the wisdom of always allocating as much money to the consumer lending area as the installment lending officers can use.

This comment was made last week at the ABA National Installment Credit Conference in Chicago by Dr. Paul S. Nadler, associate professor of finance, New York University. More than 2,000 bankers were in attendance, and Publisher Malcolm Freeland covered the meeting for the *Northwestern Banker*. Dr. Nadler elaborated as follows:

There is certainly good reason to question whether consumer lending is still the most profitable service offered at many banks. For on a net after-tax basis, tax-exempt bonds certainly offer higher yields than installment loans at many institutions. And even mortgages, with their present advances in yields and their average maturity of eight years or more, offer some advantages over consumer loans made at the lower range of today's rates, when the costs of handling floor planning, credit losses and frequent roll-over are considered.

Finally, of course, with business loan demands so strong, there is the question as to whether a business loan backed by a solid, fairly inactive balance is not more profitable than some consumer credit. The installment lending officer sees that rare situation in which he faces competition not only in lending against outside lenders but also in obtaining funds

against the demands of other areas of his own bank.

Will the installment loan officer face the likelihood of an allocation of funds, involving a retrenchment of his aggressiveness in seeking new loans? To this observer, the answer is no.

For first of all, about 80% of installment lending business is repeat business. If the banks give up a good bit of this lending now by not allocating funds to the installment loan department, there is a good chance that this business will no longer be available when and if the banks want to woo it back again.

In addition, in the same way that rates on Government bonds, municipals, business loans and mortgages have moved up more rapidly in the past few months than consumer loan rates, consumer lending rates should be more sticky on the downside, too--so that in the next economic decline, the rate advantages of consumer loans over other forms of loans and investments should become significant again. But more important than rate is the question of customer loyalty. For it appears that the competition in consumer lending will become keener than ever as soon as the present period of abnormal credit tightness ends. And in such an environment, the bank that has catered to the installment borrower and treated him fairly enough to win his repeat business will be at a decided advantage in the intensified competition that lies ahead.

NATIONAL NEWS

CHICAGO: Harry E. Mertz, former vice president at the La Salle National Bank and most recently vice president of the First National Bank of Melbourne, Florida, has joined the Civic Center Bank & Trust Company as cashier.

KANSAS CITY: Commerce Trust Company will hold Profit Planning Management Seminars Wednesday, April 20, and Friday, April 22, for correspondent banks. A similar program was also conducted last Thursday. Entertainment for the April 20 meeting will be a Kansas City Athletics game in the evening and entertainment for the April 22 meeting will be an evening "Ice Capades" show.

NEW YORK: The election, effective July 1, of Lewis A. Lapham as vice chairman of Bankers Trust Company and Alfred Brittain III as president of the bank has been announced by William H. Moore, chairman of the board. Both men will assume their new posts following the retirement on June 30 of Wallis B. Dunckel, president.

NEW YORK: H. Miller Lawder, 64, senior vice president, Irving Trust Company, died last Monday at his home in Scarsdale. Mr. Lawder had been associated with Irving Trust since 1923.

NEW YORK: Officials of C.I.T. Educational Buildings, Inc., New York, and LeFebure Corporation, Cedar Rapids, Iowa, last week an-

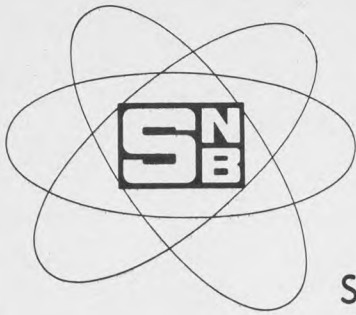
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IOWA NEWS

ATLANTIC: The "makeup" agricultural credit meeting, postponed by last month's blizzard, is scheduled next Monday, April 18, at the Atlantic Country Club, beginning with coffee at 9 a.m. The meeting will conclude a series of five conducted this year by the Iowa Bankers Association.

DES MOINES: The Iowa Bankers Association State Banking Conference is scheduled at the Hotel Kirkwood here this Thursday, April 14.

DES MOINES: State Treasurer Paul Franzenburg has named a three-man panel to study the problem of investment of approximately \$33 million in state surplus funds. At present, the funds are deposited with Iowa banks at the rate of 4%. Mr. Franzenburg, however, has suggested that the money be invested in U.S. securities at a return of approximately 5%. Bankers have argued that the funds should be left within Iowa and that the importance of employing the funds in Iowa's economic expansion overshadows the 1% difference in return. The panel, made up of economists from Drake University, Des Moines; Iowa State University, Ames, and the University of Iowa, Iowa City, is expected to report to Mr. Franzenburg in the near future. The State Treasurer reports that he will make his decision regarding investment of the funds by the first of May.

DES MOINES: Governor Harold Hughes has proclaimed next week "State and Municipal Bond Week." In proclaiming the observance, the Governor stated, "It behooves us all as citizens and voters to become more familiar with the financing features and the purpose of municipal bonds in providing our community with those facilities that make for a better way of life." T. Ward Phillips, vice president, Central National Bank, Des Moines, is co-chairman of the public relations committee of the Investment Bankers Association of America. The observance has also been proclaimed nationally by President Lyndon Johnson.

DES MOINES: The Department of Banking has reported that four state-chartered banks increased their capital stock during March. They are: Farmers Savings Bank, Grundy Center, from \$100,000 to \$150,000; Jefferson State Bank, Jefferson, from \$300,000 to \$500,000; Farmers Savings Bank, Princeton, from \$50,000 to \$100,000, and Peoples State Bank, Winthrop, from \$50,000 to \$100,000.

HOPKINTON: Citizens State Bank has received final approval to remodel the bank to accommodate drive-in banking facilities. Work was to have begun last week.

RED OAK: Hawkeye Bank Corporation, with headquarters here, has been incorporated by the State of Iowa. A general corporation, it holds a majority of the stock in the

Lyon County State Bank, Rock Rapids. Paul Dunlap, Red Oak, president of the new corporation, is also president of the Houghton State Bank in Red Oak. As was recently reported by *Northwestern Banker*, Mr. Dunlap headed a group which has purchased controlling interest in the Indian Hills Bank in Omaha. The first meeting of the new corporation's stockholders was held last Tuesday in Omaha.

RICKETTS: Farmers Savings Bank has received approval from the Federal Deposit Insurance Corporation to move from its present location to a site across Maple street within Ricketts.

NEBRASKA NEWS

BLAIR: Robert Farmer has been elected vice president of the Washington County Bank here. He had previously served as executive vice president of the University National Bank, Ft. Collins, Colorado.

HASTINGS: H. Jack Moors, 33, will join First National Bank of Hastings approximately June 1 as vice president in charge of real estate, advertising and public relations. He has been president of the Northwestern State Bank, Northfield, Minnesota.

NORFOLK: Hearing on the application for a third bank charter in Norfolk, by Roy Dinsdale, Palmer, has been scheduled for Wednesday, June 1. A week earlier, on Wednesday, May 25, hearing on a similar application, by Richard Kurtz, Omaha, will be held.

OMAHA: Diebold, Inc., has opened an office in the Quinn Insurance Building, 103 South 38th Street.

OMAHA: Application for a state charter for a new bank at 304 South 42nd street, has been received by Byron Dunn, state director of banking. The bank would have the proposed name of Mid City Bank, Inc. Applicants include S. E. Copple, S. Edward Copple, John Atkins, Victory F. Jouvenat, H. A. Dillman and L. A. Dillman. Proposed capitalization is \$500,000.

SCRIBNER: James D. Lutes, vice president, First National Bank of Kearney, has accepted the position of executive vice president of the Scribner Bank, according to Eldon G. Freudenburg, bank president. Mr. Lutes will assume his new duties May 1.



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MINNESOTA NEWS

DILWORTH: V. F. (Virg) Hegeholz, president of the Clay County State Bank here, has purchased the stock in the bank from the Scherbenske family and Paul Olson, Fargo, North Dakota. Vernon Scherbenske, formerly executive vice president of the bank, and Mr. Olson, formerly vice president, have resigned. Management of the bank will remain with Mr. Hegeholz, Walt Scholbrock, cashier, and Clarence Sherman, all members of the group which organized the bank in August, 1963.

KENT: Oscar Olson, a banker for 60 years, was honored for his long record of service at an open house and appreciation program attended recently by 200 friends and relatives. Mr. Olson, who will be 81 years of age next month, is president of Kent State Bank where he began working in 1906.

MINNEAPOLIS: Otto H. Preus, vice president, The Marquette National Bank, reports numerous inquiries concerning whether groups of bankers will be leaving by plane and by train for the Independent Bankers Convention at Las Vegas. He says that a group will leave by Western Airlines Jet Flight No. 63 at 2:50 p.m. Monday, May 2. The round trip air fare per person is \$150.02. Individuals desiring train reservations may order their tickets through him, he reports.

MINNEAPOLIS: Mrs. W. Hubert Kennedy, 66, died last Monday in Phoenix following a 10-month illness. Mr. Kennedy is a former vice president of the First National Bank of Minneapolis and member of the board of governors of the Investment Bankers Association of America.

MORA: Russell Strandlund has been elected a member of the board of directors of the Kanabec State Bank.

PAYNESVILLE: Services were held recently for Henry J. Sauer, 69, president of the First State Bank of Paynesville for 23 years, prior to his retirement two years ago. He died while on a fishing trip at Twin Lakes.

ST. PAUL: A Ramsey District Court hearing to approve the sale of the Phalen Park State Bank of St. Paul to a Golden Valley man has been scheduled for next Friday, April 15. Sale of the bank by the receivers of the insolvent American Allied

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and U.S. Mutual Insurance Company to Baird G. Holker, executive vice president and cashier, First National Bank of Navarre, must be submitted to District Court for approval.

NORTH DAKOTA NEWS

FARGO: An application for Federal Deposit Insurance for the State Bank of Fargo has been approved by the FDIC. Eugene Kich is president of the bank.

GRAND FORKS: Extreme flooding conditions were reported in the Grand Forks area last week. The Red River near Grand Forks, site of the North Dakota Bankers Association Annual Convention May 4, 5 and 6, was reported to be 12 miles wide in places as runoff from the state's recent record-breaking blizzard carried the river high above flood stage. John Cook, vice president, Valley Bank of Grand Forks, registration and reservations chairman, reports that advance convention registration forms have been sent out.

SOUTH DAKOTA NEWS

LENNOX: Rex Leubecher has been named farm representative at the Exchange Bank of Lennox, according to Earling Haugo, bank president. Mr. Leubecher will continue to reside on his farm near Harrisburg.

PIERRE: The South Dakota Bankers Association Agricultural Conference will be held here Wednesday and Thursday, April 13. Larry Nothwehr, business manager, will represent *Northwestern Banker* at the meeting.

WESSINGTON SPRINGS: Wallace Verdugt, manager of the Wolsey Branch of the American State Bank

of Wessington Springs, has resigned his position. Kenneth B. Peterson, Alpena, has been named vice president and manager of the Wolsey Branch. Mr. Verdugt has joined a Wisconsin bank.

COLORADO NEWS

BOULDER: E. L. Harrison has been named cashier of Mercantile Bank & Trust Company, Boulder. Mr. Harrison, a banker since 1936, was most recently associated with the Second National Bank of Saginaw, Michigan, as vice president.

WYOMING NEWS

DOUGLAS: The Converse County Bank recently held a two-day Grand Opening celebration marking the completion of the bank's new building. The building, constructed of Colorado stone, is covered with live moss which must be watered at 30-day intervals. The roof of the unique structure is composed of hand split cedar shakes from Washington state.

WHEATLAND: Donald Jording has been named executive vice president of the Stock Grower's Bank of Wheatland, succeeding Leo Chase who has moved to Jackson. Mr. Jording has been associated with the Farmers Home Administration for the past 11 years.

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NATIONAL NEWS

(Continued)

nounced plans to market completely-equipped bank buildings on a co-operative basis.

OKLAHOMA CITY: The Bank Public Relations and Marketing Association 1966 Research Committee Report, "What Is Banking's Potential," will be presented Friday and Saturday, April 15 and 16, at the Shirvin Hotel here.

PHOENIX: Treasury Secretary Henry H. Fowler has urged the nation's bankers to turn down loans that might lead to inflationary spending. In a speech to the Association of Reserve City Bankers here, he said it was also important that loans be cut back "without the skyrocketing of interest rates."

Mr. Fowler has also reported that Savings Bond salesmen have completed their best March in 10 years. He credited the new 4.15% interest rate for the increased sales.

Recent Approval of Five Nebraska Charters Announced

LINCOLN: It was announced last week that before he left office on March 11 as Director of Banking for Nebraska, Henry E. Ley gave final approval to five bank charters that had been pending for some time. Two of these were announced previously by the *Northwestern Banker* -- the Beatrice State Bank at Beatrice, and Cass County Bank at Plattsmouth. The other three banks approved are:

State Bank of Firth, which is a conversion of Firth Co-Op to a state bank charter, hearing held November 10, 1965.

First Westroads Bank, 102nd & Dodge Streets, Omaha, hearing held July 9, 1964.

South Roads Bank, Bellevue, hearing held July 29, 1965.

Although approved, the charters

were not issued when Mr. Ley left office for each carried stipulations that must be carried out before issuance of a charter. First Westroads stipulation is completion of the shopping center building in which it is to be located. This was reported to be two years away. No further information was immediately available on the stipulations for the Bellevue and Firth charters.

Byron Dunn, new Director of Banking, said a condition listed by Mr. Ley that final approval of the charters was subject to concurrence by the incoming director (who was unknown at the time), has been waived by him since he was not involved in the hearings or decisions and the approval should stand on the recommendation of the previous director of banking.

Senator Terry Carpenter demanded that Governor Morrison reopen hearings on all five bank charters, and also demanded that Mr. Ley withdraw from the gubernatorial primary race.

LATE NEWS...

BRIGHTON, COLO.: The FDIC has announced that it will pay off depositors in four closed banks, including the Brighton National Bank, which received interest rates higher than those permitted by Federal rules. Other banks involved are San Francisco National, Frontier Bank of Covelo, California, and the First National of Marlin, Texas.

WILLMAR, MINN.: Oscar W. Smith, vice president of American State Bank of Minot, North Dakota, since 1955, has been elected president of the Bank of Willmar, effective May 10.

In the April issue of the NORTHWESTERN BANKER...

Recent and dramatic changes in the time and savings business make required reading of a series of articles appearing in the April

issue of *The Northwestern Banker*. The timely series was derived from a panel discussion conducted at the recent American Bankers Association's national Savings Conference in Chicago. The April issue, which will be distributed this week, also includes a provocative address by Dr. Paul Nadler, New York University economist, and a special savings conference report by Publisher Malcolm Free-land, who attended the conference. Plus additional features, area news and national news of importance.

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