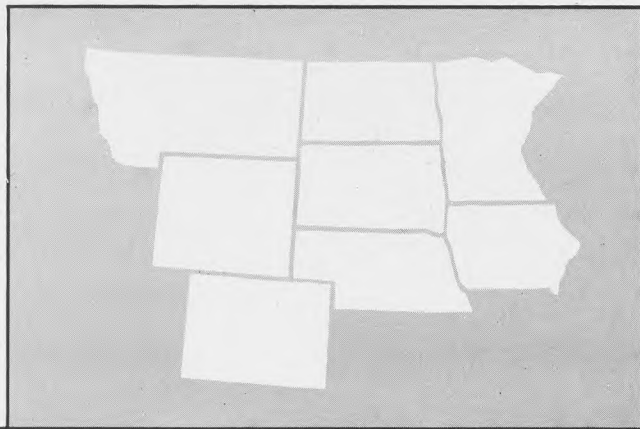


NORTHWESTERN Banker

Oldest Financial Journal West of the Mississippi



No. 990

Des Moines, Iowa

September 12, 1966

Small Businesses Increase Non-Bank Loans

Skyrocketing interest rates and the battle for deposits have apparently forced independent business proprietors to seek short term operating loans from sources other than their banks.

This is indicated in the most recent responses to the continuing year long field survey conducted by the National Federation of Independent Business.

While banks are still the chief source of financing, apparently the banks are not able to make available all the capital needed. The June results to the survey, comprising some 6,000 respondents, show that approximately 49% report a bigger business volume than last year. In this category 100% report they depend on their local bank for their short term loan needs, but in addition, 60% report they are also being forced to seek additional financial help from finance companies, and 27% report seeking such aid from their suppliers.

Among this group, which reports higher volume than last year, the principal needs for capital appear to be for the purpose of carrying heavier inventory investments and heavier investment in accounts receivable.

Perhaps reflecting higher costs of goods, 59% who secure aid from banks, finance companies and suppliers, have had to increase inventory investment, while 62% have

had to expand investment in accounts receivable.

Higher SBA Ceiling

Higher ceilings have been set by the Small Business Administration on direct loans and participation loans. The ceiling on direct loans, made by SBA to eligible small business concerns, has been raised from \$50,000 to \$100,000. The ceiling on participation loans, bank loans guaranteed up to 90% or \$350,000 by SBA, has been increased from \$100,000 to \$150,000. SBA Administrator Bernard L. Boutin said the higher ceilings are "in line with SBA's objective of providing every possible assistance to small business" and should help small firms during the current tight money period.

Up Credit Bank Rate

Congress made another concession to the scarcity and cost of credit last week by authorizing the federal intermediate credit banks to pay higher interest for the money they borrow.

The House completed action by voice vote on a Senate-passed bill abolishing the 6% ceiling on debentures the 12 banks sell to raise funds to finance institutions making loans directly to farmers and ranchers. The bill now goes to President Johnson.

The banks must sell debentures by September 19 to pay off about

\$300 million in obligations coming due in October.

NATIONAL NEWS

WASHINGTON, D.C.: Comptroller of the Currency James J. Saxon has announced three appointments. Abraham A. Dash has been named special assistant to the Comptroller to coordinate litigation policy and handle special investigations. J. James Gallagher has been appointed deputy administrative assistant to the Comptroller. Joseph M. Ream has been made regional administrator of national banks in South Carolina, Georgia and Florida.

ST. LOUIS: Dismissal of a Justice Department antitrust suit against the merger of Mercantile Trust Company, N.A., and Security Trust Company in St. Louis, has been requested by Comptroller of the Currency James J. Saxon. Grounds for the dismissal motion are expected to be that the Bank Merger Act of 1966 now is the only antitrust law applicable to bank mergers. The case is pending before a U. S. District Court.

WASHINGTON, D.C.: The nation's savings and loan associations experienced a \$1.4 billion net savings outflow during July, the United States Savings and Loan League has reported. At the same time, mortgage loans made by S&L's were down almost 45% from a year earlier.

(Continued on back page)

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IOWA NEWS

AUDUBON: Funeral services for Delbert C. Perley, 69, cashier of the First State Bank, were held last week. He died of a heart attack in a local hospital where he had been a patient for nine days.

DECORAH: The 4-H baby beef champion at the Winneshiek County Fair was purchased again this year by Decorah State Bank. Price for the 1,050 pound Angus was \$52 per 100 weight.

DES MOINES: Robert H. Bush, president of the Federal Home Loan Bank, headquartered in Des Moines, died of a heart attack in Washington, D.C. while attending the American Legion Convention.

JEFFERSON: Ron Searcy, assistant cashier, Home State Bank, won the title of "Cookout King of the Iowa State Fair." His specialty is "butter-wine Kabobs" built around sirloin steak.

MASON CITY: A total of 275 stockholders and employees attended



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the 30th anniversary dinner party held by the bank last week. R. H. Isensee, president of the bank, presided. Frances Dormedy, assistant cashier, was presented a silver coffee service, having been employed by the bank for the entire 30 years.

NEVADA: LeRoy Hansen has been named cashier of the Nevada National Bank. He will fill a vacancy left by the resignation of Leslie Henderson. Mr. Hansen has been employed by the Federal Land Bank for the past 12 years.

RICEVILLE: First National Bank has elected Keith A. McKinley, attorney for Mitchell county, as a member of the board of directors, according to Rex J. Willis, president. He succeeds the late Louis J. Krall.

STACYVILLE: Anton J. Hemann, a director of the Stacyville Savings Bank since 1939, has been elected president and chairman of the board to succeed the late Fred Pitzen.

NEBRASKA NEWS

LINCOLN: Annual Correspondent Bank Conference sponsored by the First National Bank and Trust Company, Lincoln, is to be held this week, Friday and Saturday, September 16-17.

LINCOLN: State Banking Director Byron Dunn reports that over one-

half a million dollars will be available for loans to needy students in 23 Nebraska colleges this fall. University of Nebraska is expected to qualify for about one-third of the total. Lt. Gov. Nominee Ross Rasmussen contends that the federally-guaranteed interest rate of 6% is too low in the current tight money era.

MINNESOTA NEWS

DISTRICT MEETINGS start in Minnesota on September 12 with District 1 in Rochester. Others are as follows: September 13, District 2, Mankato; September 14, District 7, Montevideo; September 15, District 3. 4. 5, Hopkins House, Hopkins; September 19, District 6, Little Falls; September 20, District 9, Bemidji, and September 21, District 8, Hibbing.

AUSTIN: Ray Dieterich has been named manager of the insurance department of the Austin State Bank.

CANNON FALLS: Ed Jaspers, formerly with First National Bank, Eden, North Dakota, has been elected cashier of the First National Bank here.

CLOQUET: Allen Spafford, 70, director of the First National Bank here died last week.

HANCOCK: Dean Leighton has joined the Hancock State Bank. He has been in the finance field for 20 years, coming from Huron, South Dakota.

MINNEAPOLIS: Floyd Simmons, 67, retired vice president, Northwestern National Bank, died last week. He retired in 1964 after 36 years with the bank.

ROCHESTER: J. Robert Kelly has joined the Olmsted County Bank & Trust Company as a vice president. He has been with Northwestern National Bank, Minneapolis. He will be in charge of commercial-new business loans.

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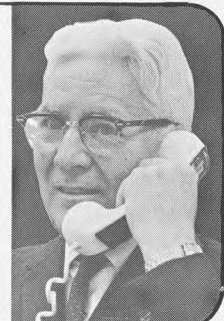


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NEW ISSUE

August 15, 1966

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Supplement to Northwestern Banker of September 12, 1966

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ROSEVILLE: Donavon J. Fisher has joined the Roseville State Bank, and will become active in the lending area of the bank. He was executive vice president of Century Capitol Corporation.

WADENA: First National Bank held open house in its new building recently. Construction was completed in July.

WATERTOWN: American State Bank observed its 50th anniversary recently.

SOUTH DAKOTA NEWS

HURON: Plans should be made now to attend the Installment Credit Conference sponsored by the South Dakota Bankers Association in Huron on Wednesday, Sept. 21.

NORTH DAKOTA NEWS

VALLEY CITY: American National Bank has elected K. B. Cummings as president and Gerald L. Zinck as vice president. The bank announced that R. M. Hougen will retire as president after serving for 44 years. Mr. Cummings joined the bank in 1958 and Mr. Zinck joined the bank in 1956.

WATFORD CITY: The First International Bank of Watford City has received approval from the state banking board to establish a paying and receiving office in Alexander.

COLORADO NEWS

AIR ACADEMY: Five retired U. S. Air Force generals have been named to the advisory board of the new Air Academy National Bank. They are: Benjamin W. Chidlaw, John K. Gerhart, Laurence S. Kuter, Emmett O'Donnell, Jr., and Dean C. Strother. All were full or four-star generals.

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DENVER: Kent O. Olin, vice president, Denver U. S. National Bank, has been promoted to officer in charge of the correspondent department. He succeeds Ray C. Harper, who has moved to Sioux Falls, South Dakota, to join a financial holding company.

DENVER: Bids for the construction of the Denver branch building of the Federal Reserve Bank of Kansas City have been submitted to the Fed in Washington. Apparent low bid was \$5,220,000 submitted by Hensel Phelps Construction of Greeley. Separate contracts will be awarded later for the bank's vaults and security equipment. The new building will be constructed on 16th between Arapahoe and Curtis Streets.

MONTANA NEWS

GLENDIVE: Henry H. Dion has resigned as vice president of the First National Bank because of the press of private business, according to T. A. Vashus, executive vice president.

The board has elected Ted Sell as vice president and cashier; Thomas W. Hughes as vice president, and Jack E. Dobson as assistant vice president.

Mr. Sell is operations and personnel officer; Mr. Hughes works with agricultural lending and with

commercial credit extension, and Mr. Dobson is manager of installment loans and the real estate department.

HELENA: Joseph B. Reber, president of the Reber Company, has been elected to the board of directors of the First National Bank and Trust Company here, according to Nels Turnquist, president. Mr. Reber is engaged in the contracting business in several western states and Alaska.

WYOMING NEWS

LARAMIE: More than 1,500 people visited the new building recently completed by the American National Bank when a special open house was held recently.

CHEYENNE: M. E. Price, president of the American National Bank, has been named promotional chairman for the 1966 Laramie County United Fund Drive.

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Bonds Down Sharply During August

The investment firm of Salomon Brothers & Hutzler said in its monthly "Bond Market Review" that prices in the municipal bond and Government issue sectors of the bond market were down sharply during August. It explained that since the escalation of this country's Viet Nam military effort in July, 1965, the price declines in key sectors of the market have totaled about 12 points for long Governments and 17 points for long municipals. However, at the very close of the period there was a substantial rally.

In the municipal bond sector, price declines were extremely large and brought prices to their lowest levels since 1934, when taxes were lower, observed the review. The volume of municipals thus far during the second half has been markedly lighter than during the first. August volume was \$745 million and July volume \$630 million as compared with a first-half average of over a billion dollars monthly. In contrast to the corporate calendar, the September schedule of new municipal offerings has not built up appreciably and remains moderate.

The decline in Government bond prices accelerated as August progressed, and was especially pronounced at mid-month when corporate-Government yield spreads widened to record levels, said the firm.

During the month, money market rates moved generally higher, it was noted. For the first time sizeable transactions in Federal funds were consummated at 6%,

although the average effective rate for August was somewhat below this level. And contrary to most other months this year, Treasury bills rose more in yield than most other money market instruments.

Contributing to the unfavorable tensions in the bond market during August, Salomon Brothers & Hutzler commented, were immediate demand and supply pressures as well as bearish expectations. In addition, commercial banks raised their prime loan rates for the second time in two months; some large banks stepped up their selling of municipal obligations; the Federal Reserve renewed its effort to slow down bank credit expansion by again raising Reserve requirements on time deposits; the Fed remained unwilling to increase the maximum rates permitted on certificates of deposit, thereby raising fears of a further liquidity squeeze.

NATIONAL NEWS

(Continued from front page)

For the first seven months of 1966, S&L's had a net gain in savings of \$717 million compared to \$3.7 billion during the same period in 1965. Mortgage loans, meantime, totaled \$11.5 million, down \$2.2 million from the 1965 pace.

ST. PAUL, MINN.: Four top independent bankers and a member of the U. S. House of Representatives banking and currency committee will headline the 5th annual convention of the Independent Bankers of Minnesota, September 28-29 in

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Hotel Radisson, Minneapolis. They are: Rep. Paul H. Todd of Michigan; William C. Clary, Jr., president, The Bank of Toccoa, Ga.; Paul Jones, president, Glenview (Ill.) State Bank, and Jay C. Leff, president, Fayette Bank & Trust Company, Uniontown, Pa.

LATE NEWS

MIDLAND, MONT.: James A. Johnson has been named vice president in the commercial loan department at Midland National Bank. He has been assistant vice president at First Bank Stock Corporation, Minneapolis, assigned to contact work with Minnesota and Wisconsin affiliates. From 1960 to 1964 he was an assistant vice president of the First National of Helena.

CALLAWAY, NEBR.: Lewis F. Johnson, 82, president of the Seven Valleys State Bank, died September 5 at a rest home. He had been a banker for 20 years.

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