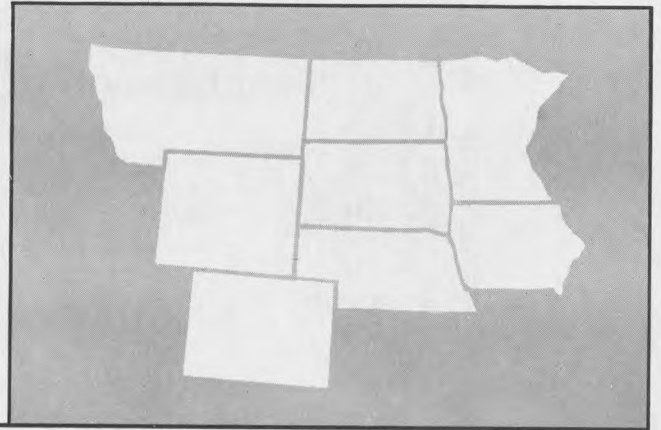


NORTHWESTERN Banker

Oldest Financial Journal West of the Mississippi



No. 1021

Des Moines, Iowa

March 6, 1967

Independent Bankers Elect S.R. Barber

An Iowa banker, Stanley R. Barber, president, Wellman Savings Bank, was elected president of the Independent Bankers Association of America at the organization's annual convention in New Orleans Saturday.

A record registration of more than 1,500 delegates were in attendance at the three day convention. There are currently 6,470 home-owned banks maintaining membership in the Association.

President Barber's bank is located in a town of 1,085 people. At year-end, his bank showed deposits of \$3,144,458. Loans were \$1,603,378. Total capitalization is over \$288,000.

His election comes at a time when forces in many areas are trying their best to accelerate the branch banking movement.

Pat DuBois, immediate past president of the Association and president of the First State Bank, Sauk Center, Minnesota, voiced the sentiments of the IBA recently in stating:

"Branching basically is a conflict between the big and the small, and where branching flourishes the big banks get bigger, and the smaller banks dwindle and disappear. Even a little bit of branching is too much because it tends

to grow until statewide privilege is gained. Service is the promise, but power is the real objective of the proponents of monopoly in banking."

BULLETINS...

ALEXANDRIA, MINN.: Miss Edith E. Johnson, 69, vice president, Alexandria State Bank, died February 26 after a lingering illness. She had been with the bank 42 years.

BISMARCK, N.D.: The North Dakota House of Representatives has approved a bill calling for a \$1.5-million expenditure for a new bank building for the Bank of North Dakota.

CHICAGO: Funeral services were held last week for Frank C. Rathje, 84, president of the ABA in 1945-46. He retired in 1958 as president of Mutual National and Chicago City Bank and Trust Company.

DeWITT, IOWA: FDIC has approved the newly chartered First Central State Bank here. Capitalization is \$500,000. Theodore H. George is president.

SIOUX FALLS, S.D.: Former president of the Northwestern National

Bank, Ralph Watson, 75, died recently in El Paso, Texas, where he had lived since retiring in 1957.

SOUTH ST. PAUL, MINN.: Drovers State Bank has advanced Donald Aschbrenner, Leonard J. Nerka to vice president from assistant vice president; Mrs. Mildred Mrozinski, Warren Gibson and Douglas Rech to assistant vice president from assistant cashier, and Arlen Funke to assistant cashier in charge of bookkeeping and EDP.

TIPTON, IOWA: Open house will be held by the Tipton State Bank in its new bank building on Friday, March 10.

Patman Seeks Recourse

Applicants refused a loan by a bank should have the right to appeal the loan refusal directly to a Federal court, according to House Banking Committee Chairman Wright Patman (D.-Tex.).

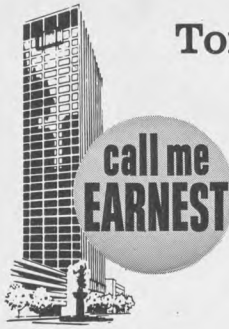
The bank would therefore be required to show cause for its action and to have substantial and reasonable grounds for refusing credit, Patman declared in a speech before a meeting of the National Rural Electric Cooperative Association. Banks are in "a virtual monopoly position in our economy," he said.

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IOWA NEWS

CASEY: Extensive remodeling is underway at the Casey State Bank, according to President Tom Hay. Completion is anticipated about April 15.

COUNCIL BLUFFS: Philip Breci, 34, has been named assistant cashier of Council Bluffs Savings Bank. He had been in the installment loan department of the Northside Bank in Omaha until year-end.

DES MOINES: Bankers Trust Company will open its new Merle Hay Plaza Office on March 13. A public open house and ribbon cutting will be held Saturday, March 11.

DES MOINES: District AIB Public Speaking Contest was held in Des

Moines Saturday, March 4. Representing Des Moines was Dave Nagel, assistant vice president, Northwest Des Moines National Bank.

DES MOINES: Heading a list of promotions at Dial Finance is Richard S. Levitt, 36, who moves from financial vice president and treasurer to executive vice president.

EMMETSBURG: Howard F. Garton, assistant cashier, Benton County Bank and Trust Company, has joined the Palo Alto County State Bank here as an assistant vice president.

GUTHRIE CENTER: Guthrie County State Bank has moved to newly remodeled banking quarters.

ORANGE CITY: Donald M. Hop, assistant cashier, Northwestern State Bank, has been named volunteer chairman of the Savings Bond program for Sioux County.

WEST UNION: Gary Penningroth, who has been a farm service company representative, has been hired as farm representative for the First National Bank and will work with Robert J. Ralston.

WILLIAMSBURG: Farmers Trust and Savings Bank has announced the resignation of O. E. (Oz) Jones as president and chief executive officer. He is succeeded by Obert L. (Roy) Larson. Mr. Jones also resigned as a director but will continue to serve the bank as a

consultant to the board. Harold B. Martin, cashier, has been named as an active board member, replacing Mr. Jones. R. A. (Bob) Elwood continues as chairman.

NEBRASKA NEWS

DIX: Application has been made by Lee Shirk for a state chartered bank here. Proposed capitalization would be \$90,000.

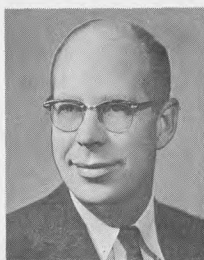
OMAHA: Edwin N. Van Horne, chairman of the board, Van Horne Investments, Inc., Omaha, returned from a month-long vacation in Phoenix March 1 to start his 61st year actively engaged in the banking and financial business. Mr. Van Horne started his long career March 1, 1907, with the Farmers National Bank (now Farmers State Bank) in Pawnee City, Nebraska. His son, John Van Horne, is president of the Omaha investment firm.

OMAHA: The tide of United States Savings Bond sales continued on the favorable side in Nebraska as Series E Bond sales increased 6.6% over the same month a year ago. January sales of E and H Bonds totaled \$8,604,123.

SCHUYLER: The Comptroller of the Currency has approved a request for the Farmers and Merchants Bank to convert to the First National Bank. Application was made by Harold Qualsett, president.

MINNESOTA NEWS

BUFFALO: John M. Lundsden, vice president, Buffalo National Bank, has returned to active status at the bank after serving with the Justice Department in Washington.



Homer Jensen

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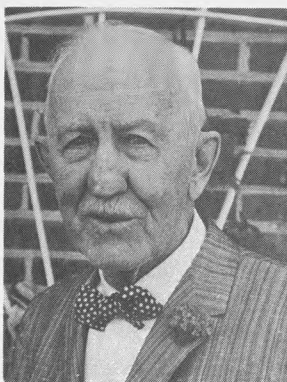
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OMAHA

Uncle Ed Discusses Credit

C. W. FISHBAUGH



EARL C. FISHBAUGH, SR., co-founder and president of the Security Trust and Savings Bank, Shenandoah, Iowa, for 42 years. Member of Iowa State Banking Board, 1929-1933.

THE BIRTHDAY of Earl C. Fishbaugh, Sr., is March 7. Mr. Fishbaugh, with his father, the first C. W. Fishbaugh, founded the Security Trust and Savings Bank, Shenandoah, Iowa, on January 9, 1909.

In memory of the many years he spent in building the bank, we enclose this exposition of some of the basic concepts Mr. Fishbaugh had regarding credit.

The article was written by his nephew, C. W. Fishbaugh, and appeared in the January issue of *Banking*, Journal of the American Bankers Association. Although for publication purposes the article was headed "Uncle Ed," the real Uncle Ed was Uncle Earl Fishbaugh. Mr. Fishbaugh passed away April 27, 1963.

A BANKER recently remarked that he could not understand why there were so many bank robberies when it was so easy to borrow money. This statement, half in fun, carries with it a lot of truth and is a sad commentary on today's lending practices.

Loans are being made now which are not only poor loans from the standpoint of the lending institution, but are bad for the debtor. The excuse is given that there is a "new concept in credit." This covers all the loose practices banks and other financial groups have conceived in order to get a person into debt. There are no new concepts in credit. Credit extension is the same as it has been since the first cave man borrowed three rocks from a friend. Someone has idle money, someone needs money, the money is lent for a definite period and to be paid back with interest. That is the principle of every loan.

Although much is said of how easy it is to borrow money and how credit is so different from the old days, nothing is said about any new method to pay it back in any easy manner.

There is this much new in that the borrower now borrows for more things he wishes to have rather than wait until he has accumulated the money. Whether we approve of this method or not, it is here and it cannot be changed without jarring the whole economy. In the past most loans were made for the purpose of business expansion, purchase of real estate, or for personal needs. Now borrowing to buy items in advance has become an accepted practice, but certainly this is not a new idea in lending—it is only a new method of repayment.

The car is credited with putting America on wheels and making us a mobile nation. The car can also be credited with the start of the future

finance payments. We hope that it has not put us on the skids.

Looking back over the years I began to realize that many of the axioms quoted by Uncle Ed were just as important today as they were 50 years ago. Uncle Ed used these sayings very freely, always making a good point.

12 Basic Thoughts on Extending Credit

A bad loan is generally bad when you make it. This was a favorite of Uncle Ed. He constantly hammered home the point that a loan, large or small, should be carefully weighed before it is made. I have seen this proved true so many times I wonder if Uncle Ed didn't have ESP. Look over your past-due notes and see if many of them were not poor loans when they were made.

Character is the principal thing in any loan. A man may offer plenty of security, but unless he has character a loan may be doomed. When J. Pierpont Morgan, Sr., was testifying before a committee of the House of Representatives in 1912 he made a famous remark about integrity. Samuel Untermyer, counsel for the committee, was doing the questioning. "Is not commercial credit based primarily upon money or property?" he asked.

"No, sir," said Mr. Morgan. "The first thing is character."

"Before money or property?"

"Before money or anything else. Money cannot buy it, because a man I do not trust could not get money from me on all the bonds in Christendom."

This was in 1912 before the new concept in credit, but it is equally true today. I have seen a borrower give a mortgage on all kinds of goods,

The author is cashier of The Security Trust and Savings Bank of Shenandoah, Iowa. The man he calls Uncle Ed was a founder of the bank.

but make little effort to pay the debt. On the other hand, I have seen a man borrow money on character and take odd jobs in order to meet his payments. Uncle Ed would say about a man of character, "His word is as good as his bond."

You don't get in trouble saying no. This is an old saying and applies to everyday life as well as to lending money. A banker who can say no when he should, runs a sounder bank. The banker who can only say yes is headed for trouble. Some banks advertise as the "yes" bank. To me this is a poor advertisement. No one respects a "yes man," so why should a bank generate respect by saying "yes" all the time. The "yes" bank may get a number of new customers, mostly those who were said "no" to by other banks. They may also get volume, but they are inevitably going to get some mighty stiff losses. You can't get in trouble saying "no," but you certainly can by saying "yes." I don't mean that you have to be stiff-necked, but you do have to realize that "no" belongs in the banker's language as well as "yes."

Never be afraid to take money. It was always Uncle Ed's theory to take the money when it was offered whether the note was due or not. Sometimes, if a borrower gets some money before his note is due, he wishes to pay off part of the note. Some institutions refuse to take the money, but tell the borrower to wait until it is due and then pay the entire amount. This may earn a little more interest, but in the meantime the customer

may spend the money. Take the money when it is offered and you will do both yourself and the borrower a favor.

You can never get too much security. Don't be afraid to ask for ample security. If the borrower is sincere and is going to pay you back on time, it makes little difference to him if he gives a few more cows, implements, or corn as security. If you take just enough to cover the loan, some of your security may be lost and then it is difficult to explain the need for full payment. Ample security protects you and doesn't hurt the borrower one bit.

There is no advantage in being the largest institution in the bankruptcy court. This means just what it says. Uncle Ed could see no advantage in trying to lend the most money and then end up having to go to court. Better operate on fewer loans and have them collectible. There are more bankruptcies today than ever before. Once these failures were mostly limited to businesses, but now the bulk are individuals who have become overextended and are looking for the easy way out. From a recent paper I list a few that show the trend:

- An office girl listed debts of \$3,040.00; assets of \$500.00; and all assets claimed exempt.

- A part-time wool presser listed debts of \$4,117.00; assets of \$3,077.00; and claimed assets of \$2,277.00 exempt.

- A librarian listed debts of \$2,180.00; assets of \$1,500.00; and claimed all debts exempt.

- An assembler at a manufacturing plant listed debts of \$4,237.00; assets of \$880.00; claimed all exempt.

- A yardman at a railroad listed debts of \$3,815.00; assets of \$100.00; and claimed all assets exempt.

These are only a few from the paper. Wouldn't you feel that you had been rather careless if you had made loans to these folks? You will note that in every case most of the assets were claimed as exempt. When it comes to bankrupts there is little character. But these folks weren't all to blame; someone who couldn't say no helped them get into debt.

You can't do business with a D-B. The D-B has a definite meaning—deadbeat—and it was a favorite expression with Uncle Ed. Other terms

might be chiseler, bum, crook, or shyster, but to Uncle Ed it was D-B. It was his way of saying that there were certain people you just can't do business with. No matter how careful you try to be, they are always a step ahead trying to figure some way to beat you. The quicker you learn to spot these, the better for everyone. Before World War II there was the remark made: "You can't do business with Hitler." England and France tried, but found out that Hitler's word was worthless. In the loan business there are certain D-Bs who are like Hitler—you can't do business with them.

I don't mind losing money but I hate to think the other fellow is smarter than I am. Sometimes we would go through the note case and Uncle Ed would start criticizing some small past due notes. Some director would say: "Let's not fool with those small notes, but work on the large ones." This always infuriated Uncle Ed and he would look straight at the director and say: "A small note is as important as a large note. I will stand a loss and never wince whether it is large or small, but when we ignore the small notes we admit the fellow is smarter than we are." With Uncle Ed it was not the amount involved; it was in not letting anyone get away with something.

People pay finance companies before banks. Uncle Ed was not opposed to finance companies. In fact, he believed that many a banker might take a lesson from their collecting practices. He had found out, however, that when a borrower owed both the bank and the finance company they usually paid the finance company first. The borrower knew that the finance company would not hesitate to take action, where most bankers are reluctant to take drastic measures. For this reason Uncle Ed did not like to lend to folks who also owed the finance companies. The finance companies were also more likely to have all the property tied up so that the bank loan stood in second place.

It takes only a minute to call the credit bureau. This belief in using the credit bureau was another favorite subject with Uncle Ed. The credit bureau might not know much about credit from a lending standpoint, but they have a record of all debts that

are recorded about a borrower. Sometimes Uncle Ed would see a loan on the books and would call the credit bureau and find that the man owed several stores and finance companies. He never said much when this happened, but he attached the memo to the note. We would all know that we had been too eager or too lazy to take a minute and make an inquiry. Many customers fail to tell about amounts they owe stores; they figure it isn't important. The credit bureau is the only source for such information.

Have the wife sign. If the customer is going to use the money in business or for personal use, his wife benefits from the borrowing, so why shouldn't she sign? I can recall a loan years ago when I first started in banking. A storekeeper in a small suburban grocery borrowed \$300.00 and soon afterward he died. His wife had not signed the note. She said it was not her debt and she never paid it. There is nothing insulting about requesting that a wife sign, it is just good business.

Consolidate debts. Fortunately this phrase came into use after Uncle Ed passed away. If it hadn't, I'm sure he would have had a very vivid description of this plan. Of all the phrases drummed home over TV that has caused Americans to go on a spending spree, this is it. The advertisement seems to promise a cure-all for all debt problems. Just put all the debts in one large note and avoid making payments on all the little debts. There is one main trouble and that is, after all the debts are put in one large note, the borrower is able to start out new in his charging. Soon he will have the large debt and a lot more little debts. It will be necessary to consolidate the consolidation. The cycle can be endless. When someone uses this phrase I shudder. I know that I shall soon learn that he owes three finance companies, four stores, and maybe the preacher who married him. His only hope is not consolidation, but a rich uncle—not Ed.

Maybe all this sounds too old-fashioned, quoting Uncle Ed. Maybe he belongs to the past. But debts do not belong to the past. They are current, and the old rules still apply. Money borrowed has to be paid back. If that is an old-fashioned concept of credit, then Uncle Ed certainly didn't understand credit, even though his bank did weather two depressions.

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COKATO: Capital of the State Bank of Cokato has been increased from \$60,000 to \$120,000 by stock dividend.

DULUTH: George G. Barnum, former vice president of First American National Bank, has been elected president of Northland Capital Corporation, a small business investment company.

ELKTON: Farmers State Bank has raised its capital from \$25,000 to \$50,000.

GOODHUE: Capital has been increased from \$50,000 to \$75,000 by Goodhue State Bank.

HUTCHINSON: Capital has been increased from \$200,000 to \$300,000 by Citizens Bank.

MINNEAPOLIS: Donald Lydon, manager, mortgage loan department, Marquette National Bank, has been named an assistant vice president, replacing Paul Petterson, retired.

MINNEAPOLIS: William Wohlenhaus is a new assistant cashier in correspondent bank department of National City Bank.

NAVARE: Joseph H. Nordlund is a new vice president at First National Bank. Serving as assistant cashier for the past year, he was previously with Federal Discount Corporation in Dubuque.

ORTONVILLE: Tri-County State Bank has advanced Mrs. Phyllis Gruenwald to assistant cashier.

OWATONNA: Security Bank and Trust Company has promoted Kenneth E. Wilcox to assistant vice president and named R. W. (Buzz)

Kaplan, president of Owatonna Tool Company, to the board.

RICHFIELD: Monroe Stenerson, vice president, Richfield Bank and Trust Company, has been named director of public relations. He has been with the bank since 1954. William E. Guenther will succeed Mr. Stenerson as head of installment loans.

WILLMAR: Capital has been increased by the Bank of Willmar to \$450,000 from \$300,000.

SOUTH DAKOTA NEWS

HURON: The South Dakota Bankers Association was founded in 1884 and the Association has had throughout the years to 1967 a total of 14 executive secretaries.

J. S. Holdhusen, Association President, has been doing some research for the 75th Diamond Jubilee Convention, and has found an interesting statistic. Not one of the executive secretaries has had a baby born to him during his term of office . . . until now.

A Special Association Bulletin announces the birth of Kathryn Mary Terwilliger, a seven pound

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baby girl to Roy and Mary Lou on February 23.

NORTH DAKOTA NEWS

CARRINGTON: An application made by the First National Bank for an office in Binford in Griggs County has been disapproved by the Comptroller of the Currency.

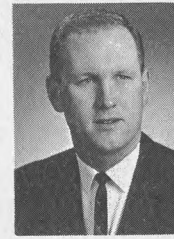
KILDEER: Larry Thompson has resigned as head of the local FHA to join the Bank of Kildeer. He will assume the duties of J. O. Severtson, who has retired, and will be an assistant cashier.

MINOT: Gary R. McDaniel, president, First Western State Bank, has been appointed North Dakota representative to the National Association of Supervisors of State Banks.

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MONTANA

GREAT FALLS: Robert F. Carlson, who has been with the correspondent bank department of the First National Bank, Minneapolis, since 1964, has joined the First Westside National Bank as vice president, according to President J. W. Connelly.

KALISPELL: Glacier Conference of NABAC will hold a meeting here on March 11 at the Valley Bank. Program will start at 9:00 A.M. and conclude with a dinner at Orly's Supper Club beginning at 6:15 P.M. Subjects will include Analysis of Financial Statements; On Premises Check Printing, and Cost Economy for Smaller Banks.

COLORADO

DENVER: A decision by the Colorado Bank Board is expected this month on the application for a new



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**IOWA-DES MOINES
NATIONAL BANK**

Mid-States Bank at South Jackson and East Florida Avenue. Preliminary hearing was held February 23. H. J. Bleakley, president, Peoples Bank of Aurora, is one of the applicants.

DENVER: Two new directors have been named by Northeast Colorado National Bank. They are: C. S. (Mike) Milligan, local manager of Packaging Corporation of America, and John E. Fuller, local realtor.

DENVER: First National Bank's annual report was selected by the Denver Ad Club as winner of its NIKE award.

DENVER: Mary Heatwole and Richard J. Singewald have been advanced to vice presidents by Colorado State Bank.

DENVER: Western National Bank has advanced Hed F. Hrdlicka to assistant vice president.

Application forms for the banker who wants to update his farm loan procedures. Samples for inspection. Write Farm Business Council, Inc. P.O. Box F, Urbana, Illinois 61801.

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