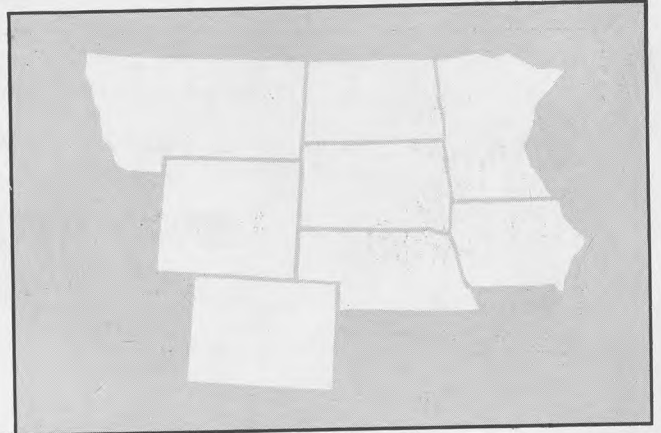


NORTHWESTERN Banker

Oldest Financial Journal West of the Mississippi



No. 1073

Des Moines, Iowa

January 1, 1968

May Kill Profit in Credit Life Sales

Legislation to prohibit banks, other lenders and sellers from making a profit either directly or indirectly on the sale of credit insurance in connection with business transactions may be introduced this year by Chairman Philip A. Hart of the Senate Antitrust and Monopoly Subcommittee.

Senator Hart gave this indication recently following a series of hearings staged by the subcommittee at which both insurance companies and lending institutions testified on their credit insurance practices.

"One fact is crystal clear from these subcommittee hearings on consumer credit insurance—some lenders and sellers on credit are making windfall profits at the expense of the borrower," Senator Hart declared. Except for "primarily credit unions and a few banks" that pay the premiums themselves, Senator Hart said, borrowers are being charged more for credit insurance than normal competition, if existing, would permit.

In credit insurance, he said,

"competition is for the business of the lender or seller, not for the business of the ultimate consumer. Therefore, assorted methods of rewarding the lender or seller have been devised—captive insurance companies, reinsurance arrangements, rebates, commissions, interest free accounts, compensating balances, to name a few." In each case, he said, "the bonus to the lender or seller ultimately comes out of the premiums paid by the consumer."

With state laws currently being inadequate to handle the situation and the McCarran Act insulating most cases from Federal unfair competition and anti-trust laws, Hart said some Federal action may be needed to give the public needed protection.

This does "not necessarily" mean that Federal rate regulation is the only action, he said. He suggested that forbidding a profit by lenders and sellers on credit insurance sales would provide another solution. It "would dispense with all rate regulation—remove the impedi-

ment to the free flow of competition and let forces in the marketplace determine rate levels."

Senator Hart said he has directed the subcommittee staff to begin drafting such legislation. He also said he is asking the National Association of Insurance Commissioners to submit its views on what should be done in light of the subcommittee hearings.

But for the present at least, Senator Hart said, a law forbidding profit on credit insurance sales by lenders and sellers "makes the best sense for everyone concerned—particularly the consumer, the forgotten man in the credit insurance field."

Treasury Bill Yield Up

Yields on the Treasury's latest issue of nine-month and one-year bills last week climbed to their highest levels in more than a year.

The average yield to investors on the nine-month bills was 5.555%.

The average return on the companion issue of one-year bills was 5.544%.

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IOWA NEWS

APLINGTON: M. K. Campbell, assistant cashier, State Savings Bank, has resigned as of December 30.

BETTENDORF: Jack R. Grothusen has been advanced from assistant vice president to vice president by the Bettendorf Bank & Trust Co. Other promotions include: T. R. (Tom) Brimeyer, from assistant cashier to assistant vice president; David A. Laing, to assistant cashier. George C. Heninger continues as vice president, and Larry E. Makoben continues as cashier and auditor. Douglas S. Grinde, former president of the bank and now president of Burlington Bank & Trust Co., will continue as a director and consultant at Bettendorf.

CHARITON: Funeral services were held last week for Mrs. George Garton, 61, wife of George Garton, president, First State Bank.

CLINTON: David J. Van Every has joined the installment loan department of the Clinton National Bank. He has had 13 years experience in the consumer finance field.

DES MOINES: The Northwest Des Moines National Bank has advanced Mrs. Jerry Joelson from assistant cashier to assistant vice president. Donald L. Calkins and James W. Angstead have joined the bank as assistant cashiers.

EVANSDALE: The First National

Bank has applied for a change of charter, which if granted could move the bank to a new address at the Crossroads Shopping Center in Waterloo. An office would be maintained in Evansdale. The Crossroads Center is scheduled for completion in 1969. Five Waterloo men had previously applied for a national bank charter in the Center, entering the application in early October.

JEFFERSON: Rodney Burnett has been advanced from assistant cashier to assistant vice president at the Jefferson State Bank.

NEW VIENNA: The Iowa State Banking Board has denied a banking office at Holy Cross for the New Vienna Savings Bank.

PIERSON: James Sheehan of LeMars has purchased controlling interest in the Farmers Savings Bank. He will serve as president of the bank, succeeding Vernon P. Weyhrich, who has moved to Lambert, Minn. to take over active management of the Farmers and Merchants State Bank there. Mr. Weyhrich purchased the Lambert bank in October and sold his interests to Mr. Sheehan in early December. Mr. Sheehan has been a loan officer at the First National Bank, LeMars. He was also associated with his family's poultry business there.

NEBRASKA NEWS

LINCOLN: First National Bank &



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Trust Company has elected Robert D. Northrop as vice president in charge of the municipal bond department. He joined the bank in February, 1967.

LINCOLN: State Supreme Court Clerk George Turner has reported the Court has refused to reopen the case involving issuance of a state charter for a third bank in Beatrice. A request for a rehearing was made by the First National Bank and Trust Company, Beatrice.

On October 27 the Court upheld former State Banking Director Henry Ley's order granting the charter to the Beatrice State Bank. This decision was unanimous.

The First National Bank had challenged Mr. Ley's action.

MINNESOTA NEWS

DULUTH: Russell M. Walters and Joseph J. Nowak have been advanced from assistant vice president to vice president at Northern City National Bank. Alfred B. Stevens has been named vice president and controller, and John Harris named vice president and trust investment officer. Elected to the office of assistant vice president were: Robert M. Hammerstrom, Clifford L. Olson and Robert W. Norman. Promoted to trust officer was Joseph Sauntry.

MINNEAPOLIS: Carl Pohlad, pres-

FOR SALE

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ident, Marquette National Bank, has been named general chairman for the 78th annual convention of the Minnesota Bankers Association, June 10-12 at Hotel Radisson.

MINNEAPOLIS: J. Patrick Ferry and Richard A. Sorenson have been elected to the office of assistant vice president at the Fourth Northwestern National Bank. Mr. Sorenson is manager of the credit department. Mr. Ferry is manager of installment loans.

OLIVIA: Citizens State Bank has increased its capital from \$100,000 to \$150,000 by a stock dividend.

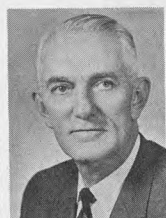
ST. PAUL: Initial hearing on a charter application for the Security State Bank, Mankato, will be held January 18 by the Minnesota Commerce Commission.

NORTH DAKOTA NEWS

ROLETTE: Funeral services were held recently for C. Oscar Myhre, 77, president, Rolette State Bank. A banker for over 50 years, he had served as president at Rolette since 1928.

WILLISTON: Lyle C. Sorum has been advanced to vice president by the American State Bank. He joined the bank as an assistant vice president in June, 1965. He heads the marketing department of the bank, working closely with the president and board of directors.

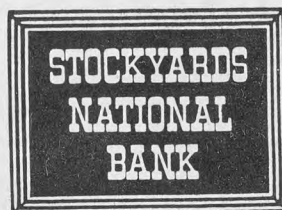
The following changes have



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been made in the installment loan department: James Bailey has been promoted as the assistant to D. A. Nyquist, assistant vice president. Vernon Owan will supervise the collection activities. James Arnstad has been made an assistant to K. M. McConnell, vice president in the commercial and ranch-farm loan department.

Ralph Mode, vice president, has been designated operations officer and his duties will include the directing of the activities in the EDP department.

SOUTH DAKOTA NEWS

ABERDEEN: Ronald Sonnenfeld has been elected an assistant cashier by the Aberdeen National Bank. He is responsible for the bank's advertising and public relations. Joining the bank in 1964, he has spent three years in the installment loan department.

MONTANA NEWS

BOZEMAN: Montana Bankers are registering now for the annual agricultural credit conference scheduled here January 18-20.

NATIONAL NEWS

ROCKFORD, ILL.: Thomas H. Detrick was recently elected vice president of the Central National Bank and Trust Co. He was formerly an assistant cashier of the Winters National Bank, Dayton, Ohio, where he was responsible for automated business services. In his new position, he will be responsible for business development activities, including automated customer services. In addition, he will direct automation of checking accounts, installment loans and other bank functions.

The bank recently increased its

capital and surplus funds from \$1,500,000 to \$2,000,000, accomplished by \$100,000 additional funds and moving \$400,000 from undivided profits to surplus accounts.

Fed Increases Bank Reserve Requirements

WASHINGTON, D.C.: The Federal Reserve Board acted to further curb the lending ability of commercial banks by a \$550 million increase in the reserves they must keep idle behind demand deposits.

The increase of one-half percentage point to 17% for Reserve city banks and to 12½% for large "country" banks will take effect on differing dates in January.

The higher level for Reserve city banks will take effect for the reserve computation period beginning January 11, the board said. For the others, it's effective with the period beginning January 18. The dates were chosen, the board's statement said, "to coincide with a period when the banks' need for reserves will be undergoing the usual seasonal drop from the pre-Christmas peak."

The change in reserve requirements is the first one affecting demand, or checking-account type, deposits in about a decade. The current level of 16½% at Reserve city banks was set in April 1958 and the current 12% level at the others was set in November 1960.

Officials emphasized that the order exempts some 4,000 small member banks that have no more than \$5 million each in demand deposits.


Presumably, the small banks were excluded because the board doesn't want to reduce their competitive ability in relation to their many rivals that aren't members of the Reserve system.

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COLORADO NEWS

DENVER: Earl L. Fedder has been elected vice president in charge of the real estate department of the Bank of Denver. He joined the bank in 1958.

DENVER: Lowell F. Wingert, president, Mountain States Telephone, and King D. Shwayder, president, Samsonite Corporation, have been nominated for directors of the Denver U.S. National Bank.

NORTH GLENN: Glenn R. Haeffliger, who has been with the First Natl. Bank of North Glenn since it opened in November, 1953, has been elected a director. He serves as a vice president. Eugene H. Edler was advanced from assistant cashier to cashier, and Mrs. Elsie Nixon was named assistant cashier. Mr. Edler worked in banks in Tipton and Bennett, Iowa, before joining the First Natl. of Denver in 1961. He has been at the North Glenn bank since 1963.

DENVER: An 'anonymous' Check'n Credit plan has been launched by the American National Bank. Under the plan, the bank customer applies for a line of credit. Once approved, the customer can write a check for an amount larger than

his checking account balance. The plan does not use any specially-designed checks and the account holder does not have to carry a special card.

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CASHIER - \$4,000,000 Iowa bank, banking and ins. experience required, salary and earnings in \$10,000 area....

VICE PRESIDENT - \$9,000,000 Iowa bank, must have farm background with lending and operations experience...salary in \$10,000 area....

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