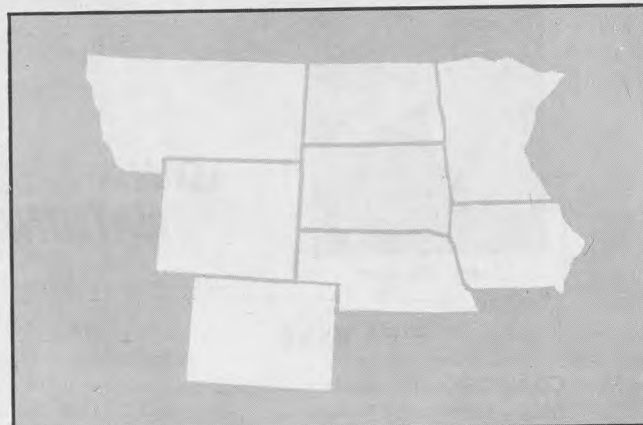


# NORTHWESTERN Banker

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## Court Favors Bank in Loan Loss Decision

A Court decision of great importance to the correspondent banking system was handed down recently by the U. S. District Court for Eastern Missouri. The Court found in favor of the First National Bank of St. Louis in its suit to recover loan losses of more than \$790,000 from American Insurance Company under the bank's bonding policy written with American. The insurance company had denied liability for the losses incurred by forgery.

In the fall of 1965, First National of St. Louis entered into an agreement with First National Bank of Gorham, Ill., to participate in the latter bank's loan commitment for accounts receivable financing needed by Southern Illinois Co-operative Coal Sales Company of Marion, Ill. Subsequently, the Gorham bank forwarded its overline on the loan to First of St. Louis.

In the course of this business, and in addition to other documents submitted each time, a photocopy of the third sheet of the bill of lading issued by the railroad with the railroad

agent's signature was forwarded to the St. Louis bank. Relying on the authenticity of these documents, First National of St. Louis loaned the funds.

The Court found that the invoices delivered by Southern to the Gorham bank did not represent actual sales of coal. The invoices were either duplicate invoices of shipments actually made or were wholly fictitious. The third sheets of the bills of lading also were fictitious and the signature of the "railroad agent" was actually signed by an officer or employee of Southern, the Court found.

American Insurance said it had no liability, when First of St. Louis submitted its claim, stating that the only one who relied on the documents in question and advanced credit was the Gorham bank. The company further stated that no one could rely on the photostatic copy of the third sheet of the bill of lading.

The Court found that the First of St. Louis extended credit based on written docu-

ments proved to have been forged and the fact that the document was a photocopy of a carbon paper signature "is immaterial to this determination," it held. The Court plainly stated that even though the third sheet of a bill of lading is not an original bill of lading, it clearly states that a bill of lading has been issued. The third copy, the Court found, is a document on which banks are entitled to rely when signed by the railroad agent.

The Court explained further that "cases generally agree that the meaning of the term forgery when not defined in the bond is to be determined by the meaning given in the applicable criminal statutes. This court is of the opinion based on the applicable Missouri statutes and the case law that the Missouri courts, presented with the same problem, would find this loss covered under the terms of the bond."

### 7th Fed Urges Removal of Gold Cover

CHICAGO—The continued unsettled conditions in the inter-  
(Continued on Page 4)



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## **IOWA-DES MOINES NATIONAL BANK**

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### **IOWA NEWS**

**CANTRIL:** Funeral services were held last week for Robert Van Nostrand, 41, executive vice president, State Savings Bank. Death was caused by a heart attack. Graveside services were held at Leon.

**DES MOINES:** A group of businessmen from Humeston and the Corydon State Bank have appealed the decision made by the state superintendent of banking approving a consolidation of banks in Lineville, Humeston and Allerton with the plan that the merged banks would move to Corydon. Offices would be maintained in the other three towns. The Iowa State Executive Council has been requested to set up the hearing on the appeal. All towns are located in Wayne County, which had a 1960 population of 9,800.

**DES MOINES:** The Iowa State Banking Board will hold its regular monthly meeting in Des Moines this Thursday, February 29.

**OTTUMWA:** A new guaranteed checking plan has been offered by the First National Bank to its customers in the area. It is a reserve checking plan, providing a line of credit ranging from \$300 to \$3,000, and a card guaranteeing payment of any check written in denominations up to \$100.

**RICHLAND:** Union State Bank has increased capital to \$50,000 from \$25,000.

**SPENCER:** Ben Abben has been elected president of the Farmers Trust and Savings Bank here, following the resignation of William Lundeen. Mr. Abben, who also serves as chairman of the board, served a term as president following the death of Jack Edge.

### **NEBRASKA NEWS**

**FREMONT:** John R. Young has been named assistant vice president, specializing in agricultural and commercial lending, at the First National Bank and Trust Company. He was formerly vice president and cashier at the Pickrell State Bank.

**FULLERTON:** Mrs. Ruth Greer, 53, assistant cashier of the First National Bank, died February 16. She had been with the bank for 13 years.

**OMAHA:** The promotion of one of-

ficer and the appointment of five new officers were announced by Omaha National Bank.

John M. Olafson was advanced to business development officer. The new officers and their titles are Ronald E. Mohr, accounting officer; Jerome J. Schumacher, assistant control officer; and Berkley E. Browne, Larry E. Bencoter and Jack L. Petersen, assistant data processing officers.

**OMAHA:** An \$87,000 expansion program at West Omaha National is scheduled for completion about June 1, according to J. Peter Jeffrey, president. This will provide a two-window drive-in facility, as well as added space for offices and bank operations.

**PICKRELL:** Calvin E. McClurg has been elected vice president, cashier and a member of the board of directors at the Pickrell State Bank. He replaces John Young, who resigned to take a position with the First National Bank of Fremont. For the past six and one-half years, Mr. McClurg has been assistant cashier at the Nebraska State Bank at Broken Bow, Nebraska.

### **MINNESOTA NEWS**

**ADA:** Gerald G. Gast has been promoted from assistant cashier to cashier at the First State Bank. He joined the bank in November, 1967, and was formerly with the First National Bank of Breckenridge, Minn.

**BRAINERD:** John Fletcher has been promoted from head teller to assistant cashier at the Citizens State Bank. He has been employed by the bank for 12 years.

**DAWSON:** David Sommerfeld has been elected assistant cashier at the Dawson Bank. He joined the bank in December, 1965.

**FERGUS FALLS:** R. F. Glasoe has been elected president of Security State Bank. He was formerly executive vice president of the Iowa State Savings Bank, Clinton, Iowa, and assumes management of the Fergus Falls bank replacing S. K. Roisum, executive vice president, who is retiring. Walter R. Olson, bank president since its organization in 1957, has been elected chairman of the board of directors.

**MONTEVIDEO:** Robert Rodeberg has been elected to the board of directors of the Northwestern State Bank.

**SACRED HEART:** Michael Mahlum



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has been promoted from teller to assistant cashier at the Farmers and Merchants State Bank. He has been employed by the bank since 1965.

ST. PAUL: The office of the commissioner of banks has announced the following capital stock increases by a stock dividend:

Bank of Elk River, Elk River — from \$60,000 to \$100,000.

Pope County State Bank, Glenwood — from \$40,000 to \$50,000.

State Bank of Jeffers, Jeffers — from \$50,000 to \$100,000.

O'Conner Brothers State Bank, Renville — from \$60,000 to \$90,000.

Northwestern State Bank, St. Paul — from \$500,000 to \$600,000.

Liberty State Bank, St. Paul — from \$250,000 to \$547,500.

It was also announced that application to change the name of the Downtown State Bank of St. Paul to the Gambles Continental State Bank has been approved. Capital stock at the bank has been increased from \$400,000 to \$500,000 by a sale of new stock.

## SOUTH DAKOTA NEWS

HURON: Keith Moe, agricultural representative at the Northwestern National Bank, and William Mueller, installment credit department, have been advanced to assistant cashiers at the bank.

MITCHELL: Roger Magstadt, formerly of Brookings, has been named agricultural representative at the Mitchell National Bank, to replace Harold Eberhard, who recently has been promoted to assistant vice president.

ONIDA: Leslie G. Day has been promoted to assistant cashier at the Onida Bank. He has been with the bank since 1966.

SIOUX FALLS: Robert Bray has been promoted from assistant cashier to assistant vice president at the Valley National Bank. He has

been with the bank for five years.

## NORTH DAKOTA NEWS

FARGO: R. D. Harkison, president of the First National Bank and Trust Company, has been named to the board of directors of the Union Stockyards Company of West Fargo.

## COLORADO NEWS

DENVER: Richard F. Mitchell, vice president of the business development department of the First National Bank, has retired after 47 years at the bank. He was first employed by the bank as a teller and had been in the business development department since 1959.

DENVER: Mrs. Dolores K. Kerr has been promoted to assistant cashier in the commercial loan department at Center State Bank. She has been with the bank since 1961.

DENVER: The North Valley State Bank has installed two TV drive-in facilities, according to Dean Dearing, bank president. Future plans call for two more TV drive-in systems at the bank.

FOUNTAIN: The new First State Bank of Fountain will be opened around March 11, according to Harry Bloom, Colorado bank commissioner. The bank charter had been approved by the Colorado Bank Board contingent upon FDIC approval, which was granted last week.

Heading the bank are Roy I. Gordon, president, and John G. Lovett, vice president and cashier. Both men formerly held similar positions with the Academy Boulevard Bank, Colorado Springs, which they founded.

DENVER: All-time highs in both resources and earnings have been achieved by First Colorado Bankshares Inc. in 1967. Consolidated

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earnings for the year were equal to \$1.16 per share, an increase of 25% from last year's 92 cents per share. After elimination of inter-bank deposits, year-end resources totaled \$112 million against \$99 million at the end of the previous year. Deposits were up from \$88 million to \$101 million, while loans were up \$12 million to \$65 million.

The four banks controlled by the bank holding company are Security National, University Hills, Lakeside National and the First National of Englewood.

## NATIONAL NEWS

BOSTON: A major agreement between the world's largest hotel organization and the largest bank credit card will enable more than 6,000,000 BankAmericard holders to use their cards at any of the 168 Sheraton Hotels or Inns throughout the world. The agreement was announced by Ernest Henderson, III, president of the Sheraton Corporation; Donald R. McBride, president of BankAmerica Service Corporation; and H. Frederick Hagemann, Jr., chairman and

(More National News Page 4)

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president of State Street Bank, Boston, one of the 22 banks currently licensed to issue the card.

The past year, Bank Americard experienced spectacular growth records. National sales reached \$459 million, cardholders increased to over six million and more than 160,000 merchants now honor the card across the country.

LOS ANGELES: Carl E. Hartnack, senior vice president and division administrator of the Security First National Bank's San Diego Division Headquarters, has been appointed to head the bank's branch administration, according to Frederick G. Larkin, Jr., president and chief executive officer of the bank. Mr. Hartnack will move to the bank's head office in Los Angeles.

Lawrence W. Cox, who has been elected senior vice president of the San Diego Division Headquarters, will succeed Mr. Hartnack.

### Gold Cover

national financial system make removal of the gold reserve requirement against Federal Reserve notes increasingly important, the Federal Reserve Bank of Chicago

## Kirk Gross Co BANK PLANNING Waterloo, Iowa

says in its Business Conditions review.

According to the bank, the nation's entire gold stock should be made available to support the international value of the dollar. Gold, it says, is not needed to support dollars in domestic exchange.

(As the 7th Fed's February issue was being distributed to members, the United States House of Representatives passed the bill removing the gold cover from our currency. The measure now awaits Senate action.)

Current law requires that Federal Reserve notes be backed 25% with gold certificates. These notes account for almost all U. S. currency in circulation.

As a result of continued deficits in the balance of payments, the country's gold stock has slipped to little more than enough to satisfy this reserve requirement. The President asked Congress to remove the requirement in his State of the Union message.

"Gold backing does not guarantee the soundness of a currency—the stability of its purchasing power," the review reads. "Countries operating under the gold standard have had severe inflations and deflations."

In 1945, when the reserve requirements threatened financing of the war effort and the maintenance of income and employment during the changeover to peacetime conditions, Congress reduced the requirements to 25%.

In 1965, when the diminishing gold supply approached the level required for reserves, Congress removed the backing on deposits altogether.

This left the 25% requirement

against Federal Reserve notes the only remaining link between gold and the domestic use of the dollar.

The link between gold and the international use of the dollar will remain intact, however, at least for now. The President has emphasized that the United States will maintain the price of gold at \$35 an ounce.

It is to make sure that the country can maintain this price, and therefore the international value of the dollar, that the President has asked Congress to cut the domestic dollar free from gold.

At the same time, a new currency is being considered by member nations of the International Monetary Fund to supplement the use of dollars and gold as international reserves.

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