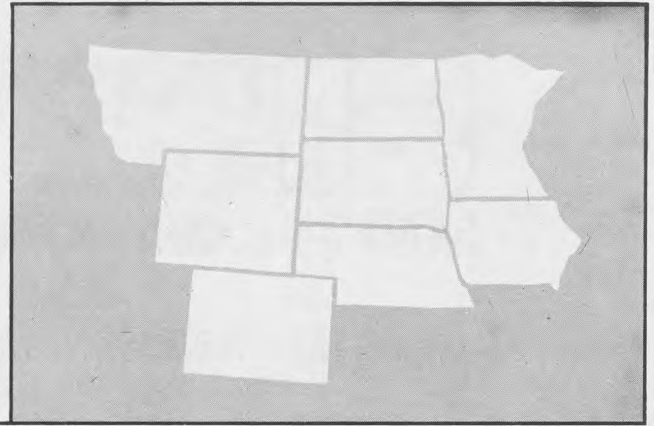


NORTHWESTERN Banker

Oldest Financial Journal West of the Mississippi



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March 25, 1968

Will Fed Raise Interest Rate Ceiling?

A major question in the minds of financial executives is whether the Federal Reserve Board will lift the ceiling on interest rates that commercial banks may pay for savings.

Reacting to the international monetary crisis, the Fed increased the discount rate on March 14 from 4½% to 5% in an effort to curb speculation on the dollar. It did not make a change in Regulation Q, since it apparently felt that banks had sufficient funds to meet loan demand. The Fed also thought that banks could attract funds through CD's since yields on Treasury bills had eased back.

While the rate structure is such that no CD runoff has occurred, the banks are nonetheless vulnerable to such a runoff.

According to latest Federal Reserve figures, \$4.7 billion in large CD's were scheduled to mature in March. In April, the banks could face the prospect of a loss of funds with at least \$4 billion of CD's of \$100,000 or more coming due.

In its announcement of the

discount rate hike, the Board said the increase is designed to "strengthen the international position of the dollar and to curb inflationary pressures in the domestic economy." But the fact that the increase was only one-half point leads many financial experts to believe that the Board was far more concerned with the world money crisis than with the state of the domestic economy. They say that if the Board had wanted to dampen inflationary pressure along with strengthening the dollar it would have approved a hike in the discount rate of at least one point.

It seems clear that the Board decided against a larger discount rate increase—in a large part—because of the effect of such a move on the housing market. A higher discount rate might have made it more immediately necessary to lift the interest rate ceiling that commercial banks pay. This, in turn, could have caused a loss of funds of thrift institutions and, therefore, a scarcity of credit to the housing industry.

Most bankers feel that the

Fed's discount rate action will not result immediately in a jump in the prime rate banks charge on loans to best customers. Business loan demand at major banks has been sluggish so far this year. As a consequence, these bankers say a one-half point increase in the discount rate does not justify a hike in the prime rate.

But other bankers believe that the prime rate will have to be increased in the immediate future.

Reacting to the Fed's decision, the American Bankers Association said the discount rate increase was necessary, "but monetary policy alone cannot be relied upon to protect the dollar." Such action, ABA continued, risks a return to the situation in 1966, "including stringent credit conditions and unduly harsh impacts on certain industries, especially housing."

ABA urged Congress and the Administration to move "with all possible speed" to cut back non-Vietnam spending and enact an income tax increase "at least as large as the 10% surcharge requested by the President."

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IOWA NEWS

CEDAR FALLS: Rod L. Jensen, cashier, First National Bank, has been appointed to the Cedar Falls Planning and Zoning Commission.

CEDAR RAPIDS: Thomas J. Nelson, who worked in the Cedar Rapids office of Conway Bros.—First of Iowa Corp., has joined the National Manufacturers Bank of Neenah, Wisc., as assistant cashier, according to Douglas F. Graves, president. Mr. Nelson was associated with the trust department of The Merchants National Bank before joining Conway.

DUBUQUE: Lee M. McDermott, formerly manager of the Plaza "20" office of American Finance Company in Dubuque, has been employed in the installment loan department of the First National Bank.

MARSHALLTOWN: After 48 years in the banking field, Mrs. Blanche



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Monohon, assistant cashier of the Fidelity Savings Bank, will retire March 30.

NEVADA: Rodney Burnett has resigned as assistant vice president of the Jefferson State Bank, to join the Hertz Farm Management service in Nevada as of April 1.

PALO: Controlling interest in the Palo State Bank has been purchased by the Bankers Equity Corporation, a subsidiary of Investors Equity of Iowa, 7200 Hickman Avenue, Des Moines.

Curtis Hayes, prominent Linn County farmer, will continue as president. W. J. Baehler, president of Investors Equity, and Robert Baehler, vice president and treasurer of Investors Equity, have been elected vice presidents and directors of the bank.

RICEVILLE: Ronald F. Kocher, has resigned as supervisor of student aid for Upper Iowa College, Fayette, to join the First National Bank, Riceville, as assistant cashier on April 1.

NEBRASKA NEWS

BLAIR: Mrs. Stanley (Dorthea) Bednar, 54, died March 18 after a fall on the steps in the basement of her home. Stanley Bednar is executive vice president of the Washington County Bank at Blair. Death was attributed to head injuries.

CHESTER: The Chester State Bank

has completed its bank remodeling project.

LINCOLN: It was incorrectly stated in the March 11 issue that application for a state bank charter for West Gate Bank had been made for Hastings, Nebr. This should have been Lincoln. The applicants have filed to locate the proposed bank in Westgate Shopping Center. C. R. Haines, director of banking for Nebraska, announced last week that a hearing on the application has been set for June 13 at 9:30 a.m. at the Liquor Control Commission, 401 NSEA Building, 605 South 14th Street in Lincoln.

NORFOLK: John Olson, formerly of Lincoln, has been named a new vice president of the DeLay First National Bank.

OMAHA: Ira L. Couch, Jr., and Robert A. Falk, both formerly assistant secretaries of Kirkpatrick, Pettis, Smith, Polian, Inc., investment bankers, have been named vice presidents. C. Leo Adams, formerly assistant treasurer, has been named assistant secretary and treasurer.

MINNESOTA NEWS

LAKEVILLE: Betty Langord has joined the staff of the Lakeville First National Bank. She will be doing teller and accounting work.

MINNEAPOLIS: Joseph F. Ringland, Jr., former state banking commissioner, has been named executive vice president and managing officer of the Bank of Minneapolis and Trust Company. He was assistant vice president of Northwest Bancorporation before becoming commissioner of banks and chairman of the state commerce commission in 1965.

MINNEAPOLIS: The final five Minnesota Bankers Association executive officer workshop sessions were held March 18-22. The final five meetings were held in Fairmont, LeSueur, Owatonna, Plainview and Monticello. Attendance at the 10 previous meetings in the series of 15 workshops ran nearly 80% of potential, and it is esti-

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mated that 600 of the state's 725 bank managing officers attended the workshops.

MINNEAPOLIS: The American Bankers Association regional conference on fundamentals of bank personnel administration was held here March 17-22.

MONTEVIDEO: O. B. Rekow, executive vice president of the First National Bank, has announced the employment of Richard E. Benson as installment loan officer. He was formerly a loan officer for the Alan Plan Corporation of Des Moines.

ROCHESTER: Gerald L. Dreier, formerly sales manager of the Village Chevrolet in Wayzata, Minn., has been appointed director of the automotive dealer program at Olmsted County Bank.

RUSH CITY: Funeral services recently were held for Carl H. Sommer, 91, who died after a long career in banking and public and civic affairs. Mr. Sommer was formerly chairman of the board of the State Bank of Rush City, which he founded in 1892, and last summer was honored as one of four persons in the nation active in the banking business for 75 years or more. He also had worked for the Swedish American National Bank and the Northwestern Bank in Minneapolis.

ST. PAUL: Richard Eitel has been named loan officer at the Summit National Bank, and Eulah Hall has been named auditor. Mr. Eitel was formerly with the installment loan department of the First National Bank of St. Paul. Miss Hall has been with the Summit National since 1964.

COLORADO NEWS

DENVER: The University Hills Bank has named Clyde G. Kissinger, president of Kissinger Petroleum Ltd., Denver; Trans-Canada Drilling Company and Central Colorado Investments Corporation, to its board of directors.

DENVER: Application for a state bank charter for the proposed Columbine State Bank along East Hampden Avenue east of the Valley Highway has been filed with Federal Reserve Bank of St. Louis

the Colorado bank commissioner by five officers and directors of the Alameda National Bank. They are: Charles H. Smukler, board chairman; Russell E. Wright, president; Sidney C. King, executive vice president; and two directors, Donald K. Norgren and Robert L. Cohen.

This is the first charter application to be filed for a Denver-area bank in over a year.

DENVER: The Mountain States Bank has named Edward D. Pierson, president of Minder Denver Inc., manufacturer of conveying equipment, to its board of directors.

ENGLEWOOD: John V. Christensen of Littleton, commissioner of the Arapahoe County Commission, has been named a director of the Continental National Bank, formerly known as Englewood State Bank.

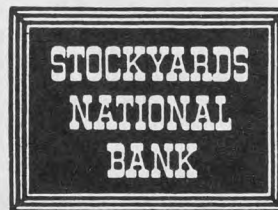
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nand J. St. German, (D) R. I., said last week he is circulating a letter urging an "early hearing" on legislation which would permit banks to underwrite and deal in revenue bonds.

The bill was passed by the Senate Nov. 8. Since that date, it has been in the House Banking and Currency Committee whose chairman Wright Patman, (D) Texas, opposes it.

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SOUTH DAKOTA NEWS

FREEMAN: The First National Bank has advanced M. H. Mehlfaf from cashier to vice president and cashier, and named John R. Waltner as assistant cashier.

GETTYSBURG: John Sletten, 24, has joined the First Potter Co. Bank. Previously, he was with the Western Montana National Bank, Missoula, and the First Computer Corp., Minneapolis.

HURON: South Dakota Bankers Association headquarters has announced that a reception will be held April 4 in the Belvedere Room of the Shamrock Hilton Hotel in Houston, Texas, for South Dakota bankers attending the Independent Bankers Convention.

HURON: Plans should be made now to attend the annual agricultural conference in Huron on April 17-18 at the Plains Hotel.

SIOUX FALLS: Gerald Feldhaus has been named installment loan manager at the Union Bank and Trust Co. He was with Federated Finance Company for five years.

NORTH DAKOTA NEWS

STANLEY: Reino Johnson, well-known local farmer and rancher, has been named agricultural repre-

sentative and assistant cashier for the Scandia American Bank.

WAHPETON: Willard Strege, lifelong resident, has been named agricultural representative for the Wahpeton National Bank. He has served in the North Dakota legislature and worked as field representative for the Production Credit Association.

MONTANA NEWS

BILLINGS: Plans should be made now to attend the second annual Real Estate Mortgage Workshop at the Northern Hotel here on April 26-27. The meeting starts with a noon luncheon on the 26th.

ANACONDA: The First Security Bank of Anaconda has been approved for Federal Deposit Insurance. Total capital accounts are \$490,000.

APPEAL MINNESOTA DECISION

The Independent Bankers Assn. has asked the Federal Reserve Board to reconsider its approval of the acquisition of National Bank of Ely, Minn., by Northwest Bancorporation of Minneapolis. It said the Ely acquisition would give Northwest Bancorporation and First Bank Stock Corp., also a Minneapolis bank holding company, control of 70% of deposits in the area.

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