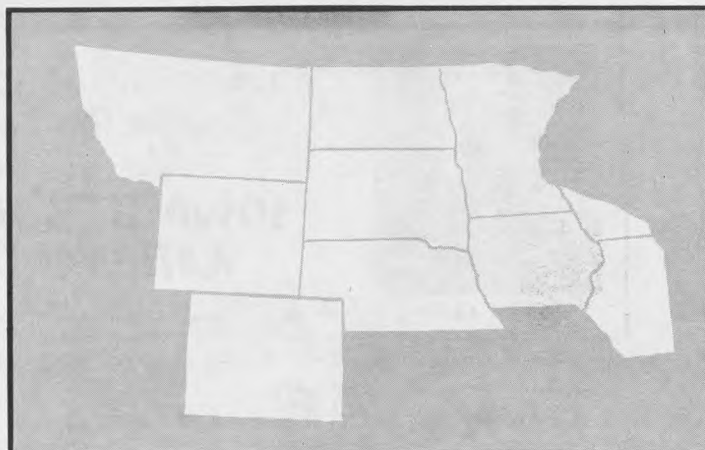


# NORTHWESTERN Banker

Oldest Financial Journal Serving  
The Central and Western States



No. 1125

Des Moines, Iowa

October 21, 1968

## Disagree on Loan Production Services

Has the Federal Reserve Board overstepped its authority in permitting banks to establish loan production offices anywhere in the United States?

Many members of the Fed disagree with the ruling, and the Independent Bankers Association disagrees with the ruling. On the other hand, the American Bankers Association and the National Association of State Bank Supervisors have approved the ruling.

Informed sources believe that the House Banking Committee will take little or no action to overturn the decision, even though Committee Chairman Wright Patman (D., Tex.) issued a strong blast on the Fed's ruling. He said the ruling will "result in a handful of banks running this country." And, he called the rulings a "major evil" and "arrogance in the extreme."

Fed Chairman William McC. Martin defended the loan production office decision by pointing out that many large banks have for years sent traveling representatives to all parts of

the nation to solicit loan business.

Mr. Martin also pointed out that the question of whether a state member bank may establish loan production offices will now depend solely on state law. If the law of the state where a bank is chartered prohibits the bank from conducting its operations in this fashion, that will end the matter, he said.

If a bank seeks to establish an office in another state, he continued, it will have to comply with the laws of its home state as well as those of the state where the office is to be located.

Mr. Martin noted that there was a basic inconsistency in the Fed's previous ruling on loan production offices. In a state which prohibited branches but did not classify a loan production office as a branch, he said, the earlier ruling prohibited a state member bank from establishing such an office even though the state permitted it.

"It thus had the effect of

overriding state law as to one class of state banks — those that are members of the Federal Reserve System — but not as to other state banks," he said. And the Federal statute involved was interpreted at the same time by the Comptroller of the Currency as permitting national banks to establish such offices. On reconsideration, the Board concluded that this result is neither required by the language of the statute nor warranted by considerations of public policy underlying the statute."

The Board's decision was attacked by Fed Vice Chairman J. L. Robertson, who was joined by Andrew F. Brimmer in dissent of the majority opinion, and by Thomas H. Milner, Jr., president of the Independent Bankers Association and president of the National Bank of Athens, Georgia.

Mr. Robertson contended that the Board's loan production office ruling taken in conjunction with the authorization of operations subsidiaries has a "potential effect...so broad that it raises fundamental questions

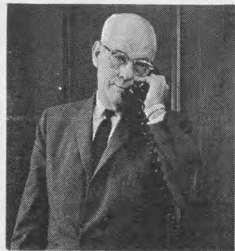
(Continued on Page 4)

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### IOWA NEWS

**ATLANTIC:** R. D. Jones, president of the Whitney Loan and Trust Company Bank, has announced that the firm is in the process of changing its name to First Whitney Bank and Trust.

**BURLINGTON:** Farmers and Merchants Bank and Trust Company has received approval from the Iowa State Banking Board for a parking lot office in the Fairway Shopping area.

**DES MOINES:** The Iowa State Banking Board will hold its next monthly meeting on Thursday, October 31.

**DUBUQUE:** Jack W. Roach has been elected assistant vice pres-



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ident of the Key City Bank and Trust Company. He was formerly employed as assistant cashier at the Iowa State Bank and Trust Company, Iowa City.

**GREEN MOUNTAIN:** LaVern B. Staker has been named cashier of the Producers Savings Bank. He has been employed at the Farmers Savings Bank in Garwin since 1945.

**LOGAN:** Mrs. LaDuskie Wood, 86, president of the First National Bank of Logan, died recently in a Missouri Valley hospital, where she had been a patient for one week.

**SPENCER:** Open house was held this past week by the Farmers Trust and Savings Bank in its new building.

### NEBRASKA NEWS

**BEATRICE:** Dan L. Ferguson has been elected assistant vice president of the Beatrice National Bank and Trust Company. He is presently assistant vice president at the Commercial Bank and Trust Company of Grand Island. Kenneth Cain has been promoted from assistant cashier to cashier and Gerald Davidson to auditor.

**FREMONT:** First State Bank will have open house on Sunday, October 27 from 1 to 5 p.m. for the public. Extensive remodeling of the interior and exterior was recently completed. James H. Moore, Jr., is president.

**KEARNEY:** Two new vice pres-

## Kirk Gross Co

### BANK PLANNING

### Waterloo, Iowa

idents have been elected at the Platte Valley State Bank and Trust Company. They are W. D. Richardson, former owner and operator of the Kearney Creamery, and David C. Doll, formerly employed at the Mid City Bank and Industrial Loan and Investment Company of Omaha.

**MONROE:** Ken Hurner, executive vice president and cashier of the Bank of Monroe, has accepted a position at the Bank of Skidmore, Mo., effective November 1. Mr. Hurner has managed the Bank of Monroe for 17 years.

**NORFOLK:** G. P. Bauman, president of the Tilden Bank has been designated chief executive officer of that bank since the death of J. R. Kinder, chairman of the board. William L. Porter, son-in-law of the late Mr. Kinder, has been elected director and chairman of the board. Mrs. Kinder has resigned as a director because of her health.

**SOUTH SIOUX CITY:** Cooper Butt has been named vice president of the Dakota County State Bank. He formerly was executive vice president of the First National Bank of Minden. He joined the Minden bank earlier this year and prior to that time was a director of the Elm Creek State Bank of Elm Creek.

### MINNESOTA NEWS

**MANKATO:** Darryl A. Vermedahl has joined the staff of the Valley National Bank as assistant cashier. He was previously employed



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**MINNEAPOLIS:** Jay D. Peters has been promoted to assistant cashier in charge of the installment loan department at the First Westroads Bank. He joined the bank in June.

**MINNEAPOLIS:** Louis F. Whear has been elected assistant vice president of the Fifth Northwestern National Bank of Minneapolis. He was formerly assistant cashier in charge of the installment loan department.

**MINNEAPOLIS:** Samuel H. Rogers, retired senior vice president and executive trust officer of Northwestern National Bank of Minneapolis, died October 1 in Russia while he and Mrs. Rogers were on a cruise on the Black Sea.

**NEW PRAGUE:** The First National Bank of New Prague recently celebrated its 65th anniversary with an open house.

**TRUMAN:** The Peoples State Bank employees, directors and their wives recently honored E. A. Fenrick at a dinner observing the completion of Mr. Fenrick's 40th year in banking. He is currently executive vice president at the bank and on November 1 will have been with the bank 25 years.

## ILLINOIS NEWS

**CHICAGO:** Milton F. Darr, Jr., president of the LaSalle National Bank, has been named chairman of the bank's board of directors and will continue as the bank's chief executive officer. Frank G. Price, executive vice president, has been

elected president and designated chief administrative officer.

**CHICAGO:** Roger E. Anderson and John H. Perkins have been elected members of the board of directors and to the newly created positions of executive vice presidents at the Continental Illinois National Bank and Trust Company.

**CHICAGO:** An application to organize Chicago O'Hare Bank has been filed with the Illinois Commissioner of Banks. Organizers of the proposed bank are Dennis Voss of Des Plaines, Mitchell P. Kobelinski and C. John Chamber of Chicago, C. Frederick Potter of Park Ridge and Joseph D. Zizzo of Harwood Heights. The bank would be located at 4646 North Pueblo Ave.

**EVERGREEN PARK:** Application to change the location of the Evergreen Plaza Bank from 9640 South Western Avenue to Plaza Towers Office Building here has been filed with the Federal Deposit Insurance Corporation.

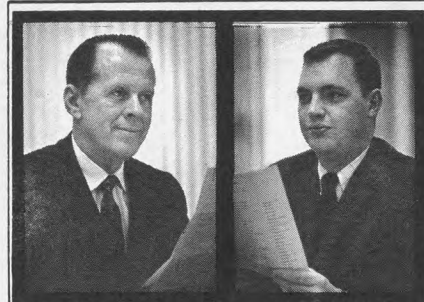
**STAUNTON:** Application for federal deposit insurance has been approved for the First Community State Bank.

## NORTH DAKOTA NEWS

**COLUMBUS:** Columbus State Bank has been sold to three Vermillion, S. D., men. They are Harold Dwyer, attorney; Arnie Peterson, bank auditor; Glen Shevlin, trust officer at the United National Bank of Vermillion. All three are directors of the bank.

## WYOMING NEWS

**BASIN:** Robert Eckerdt has re-



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signed as vice president of the Security State Bank. His future plans are not known.

**WHEATLAND:** Four new directors have been named at the Stock Growers Bank. They are A. H.



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Trautwein, president and chairman of the board, and Bruce von Forell, Dr. H. D. Schroeder and Don Olson, all directors. Frank Kennicutt has been appointed assistant vice president and installment loan manager.

## MONTANA NEWS

**BRIDGER:** Ralph Johnson, president of the Bank of Bridger and mayor of Bridger, has died in a Grand Junction hospital from injuries suffered when his light plane crashed near Grand Junction on September 23.

**SHELBY:** Application of the Toole Country State Bank to establish a drive-in facility here has been approved by the Federal Deposit Insurance Corporation.

## NATIONAL NEWS

**INDIANAPOLIS:** The \$862.1 million deposit Indiana National Bank, largest bank in Indiana, is dropping its participation in the Midwest Bank Card System and will offer BankAmericard. The bank will start its BankAmericard franchise in February, 1969. It has participated in the town and country card plan of Continental Illinois National Bank and Trust Company,

Chicago, since February, 1967.

**LOS ANGELES:** The \$760 million deposit First Western Bank and Trust Company has been purchased by the INA Corporation, a holding company, as part of a \$310 million transaction in which INA purchased 80.5% of the common stock of World Airways, Inc., which owns First Western. Earlier this year the bank had been purchased from Greatamerica Corporation by Ling-Temco-Vought.

**NEW YORK:** George C. Textor, 68, chairman of the board, Marine Midland Grace Trust Company of New York, died October 9 at Roosevelt Hospital after a short illness. He spent his entire 52-year banking career with Marine Midland Grace and its predecessor banks. He served as president of the bank from 1955 until 1966, when he was elected chairman of the board.

**WASHINGTON, D.C.:** The House has approved legislation to raise to \$5 million from \$1 million the ceiling on tax-exempt industrial aid bonds. The ceiling will take effect on issues sold after the President signs the bill into law. The Senate has already passed the measure.

## Loan Production Offices...

(Continued from Page 1)  
regarding the structure of banking in this country."

And Mr. Robertson said the Fed's Legal Division "is in accord with my judgments."

Mr. Robertson contended that

loan production offices constitute branches for the purpose of Federal law for two reasons:

The operations of such offices constitute the lending of money at offices of the bank within the meaning of the specific language of the Federal branch statute.

The operations constitute significant banking functions that Congress contemplated should be made available only at governmentally authorized offices.

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