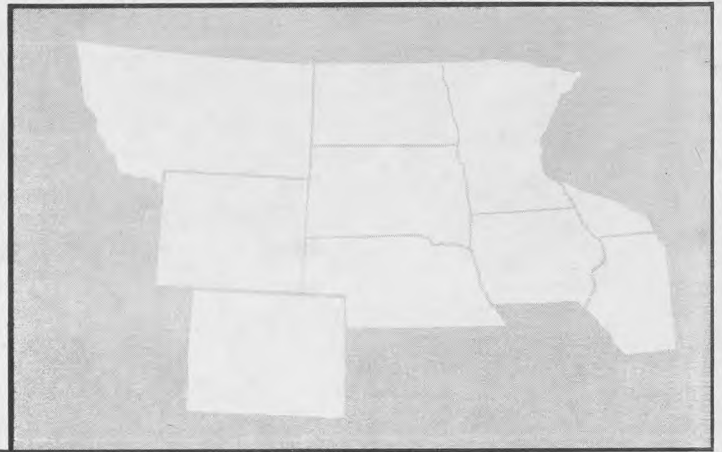


# NORTHWESTERN Banker

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## Make Savings a Spark Plug, Not a Sponge

Following is a summary of remarks by Dr. Paul S. Nadler, associate professor of finance, Graduate School of Business Administration, New York University, before the conference on Organizing and Managing for Profits, sponsored by The American Bankers Association, in St. Louis, Mo., March 3.

Despite the more rapid rate of growth in commercial bank demand deposits in the recent past, the likelihood is that the economy will continue to grow more rapidly than demand balances do, and the banking system will have to depend on time and savings deposits for much of its growth.

Two problems have arisen which will be of major significance in determining bank marketing policy and bank profitability.

1. Liability Management and Bank Structure. — With banks forced to buy their growth through the time and savings deposit route, major banks have been able to gain growth more readily than have smaller institutions. For banks have had to turn to liability management—

the purchase of time and savings deposits, Federal funds, Eurodollars, and debenture proceeds as the way of gaining enough funds to meet burgeoning loan demands. And the larger banks have been far more effective in buying growth than the small banks have.

Thus the Federal Reserve has had to limit the ability of the banks to buy growth—through Regulation Q—lest large banks gain all the growth and small ones atrophy. This is why it is unlikely that Regulation Q's ceiling will be raised to allow banks to compete for funds more aggressively against open market securities and non-bank financial institutions.

2. Costs of Time and Savings Deposits. — While time and savings deposits can provide much of bank growth, they are certainly expensive. When the cost of required reserves, secondary reserves, FDIC assessment, handling expense, and capital backing are included on top of the interest cost, many banks find that time and savings deposits cost almost as much as the loans and investments in

which the funds are placed can earn—and even more than net revenue in some cases.

Thus banks that fight for time and savings deposits must be able to do all they can to curb the cost of these funds and make sure that the loans and investments made with the proceeds earn enough to make this fund solicitation worthwhile. Otherwise the banks will secure growth, but at the expense of their over-all profitability. This is the way in which time and savings deposits can be a sponge instead of a spark plug.

The solution to these two problems depends to a great degree on the marketing department of the bank.

With regard to the Regulation Q ceiling, the marketing department can help develop ways to build time and savings deposits despite the handicap of the low interest ceiling. This involves concentrating on advantages in convenience and development of varied deposit forms so that the bank can take maximum advantage of possibilities of liability management. It also can involve

(Continued on Page 4)

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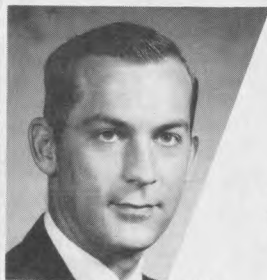


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NATIONAL NEWS

WASHINGTON, D.C.: It was anticipated that a bill prepared by President Nixon's Administration concerning the control of one-bank holding companies would be sent to Congress by this week. House Banking Committee Chairman Wright Patman has announced that hearing on one-bank holding company legislation will begin April 1—whether the Administration bill has been sent up or not.

IOWA NEWS

Two prominent Iowa bankers were named to top appointive posts in Iowa on March 12 by Governor Robert D. Ray.

Collin W. Fritz, 47, senior vice president of Jasper County Savings Bank at Newton, has been named Iowa superintendent of banking. He will succeed John Chrystal in the \$18,000 a year post. Mr. Fritz, a Republican, will serve a four-year term. Mr. Chrystal, a Democrat, is president of Iowa Savings Bank at Coon Rapids. He

has been superintendent since 1964.

Mr. Fritz majored in economics at Grinnell College and was graduated from Drake University College of Law. He has been a banker for 21 years.

State Senator Kenneth J. Benda, 50, president of the Hartwick State Bank, has been appointed by Governor Ray to the Iowa Commerce Commission, a \$13,000 a year position. Mr. Benda, also a Republican, has served in the Iowa Senate since 1962 and has been a top leader in writing the Bank Recodification laws just passed this session. Sen. Benda was graduated from Iowa State University. His appointment gives Republicans control of the Commerce Commission.

AMES: The Iowa Bankers Association's two-day Agricultural Credit Conference will be held at Iowa State University here on March 18 and 19.

AREDALE: Harry A. Peters started

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today as cashier of Aredale State Bank. He resigned as cashier at the Panora State Bank to accept this position. At Aredale he succeeds W. K. Juncker, who has become affiliated with the State Bank of Allison.

BETTENDORF: Claire M. Chalup has resigned as vice president of the Security State Trust and Savings Bank to become vice president of Morningside State Bank, Sioux City, on April 1.

CEDAR RAPIDS: The Merchants National Bank has begun offering Master Charge Card service to its customers.

CORYDON: The Citizens State Bank will have its formal opening and open house on Saturday, March 22, from 2:00 p.m. to 6:00 p.m. The all new building was constructed to house the new bank here, which resulted from consolidation of the banks at Allerton, Humeston and Lineville, and transfer of the bank charter from Humeston to Corydon. Offices are retained in the three towns.

DECORAH: The following promotions have been announced at the Decorah State Bank: W. D. Willer, assistant vice president, promoted to vice president; John W. Hess, assistant cashier, to assistant vice president; Neal W. Sloan, head of the installment loan department, to assistant vice president. The bank also plans to purchase the building immediately west of its present structure for future expansion.

EVANSDALE: Application to change the name of the First National Bank of Evansdale to the First American National Bank has been approved by the Comptroller of the Currency.

IRETON: G. A. Juffer has been elected president of Security Savings Bank, filling the vacancy created by the recent death of his brother, Pat. Mr. Juffer has been serving the bank as vice president and cashier.

MASON CITY: Eugene C. Chase has been appointed cashier of the United Home Bank and Trust Company, succeeding Dale D. Kennedy, who has joined Unibank, Inc., an



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associated company of the bank, as vice president. Mr. Chase has been with the bank and its affiliated companies since 1963.

**OTTUMWA:** Rod Hogue of Eldon has joined the installment loan department of the First National Bank here.

**WAUKON:** Madelyn A. Grabowenski has joined the staff of the Farmers and Merchants Savings Bank as teller and bookkeeper.

## NEBRASKA NEWS

**OMAHA:** First National Bank will hold its annual "Chuck Wagon Roundup" March 27 at Ak-Sar-Ben Field. The program will run from 10:00 a.m. to 3:30 p.m.

## MINNESOTA NEWS

**DETROIT LAKES:** An application for a state charter for a new bank here has been filed with the State Department of Commerce. The proposed name for the bank is Community State Bank. Incorporators named in the application are Robert Arnold, R. A. Coalwell and Richard Pettit, Detroit Lakes; Dennis Poppenhagen and Raymond H. Tembrock, Ogema, Minn., and Gordon Sanders, Frazee, Minn. Proposed capital is \$400,000. No date has been set for hearing on the application.

**EMMONS:** Controlling interest in the First National Bank has been sold by Mr. and Mrs. Montgomery Clark to Herbert A. Lund, vice president of the Security State Bank, Albert Lea. Mr. Clark will continue as president and cashier of the bank until October.

## ILLINOIS NEWS

The following Group Meetings of the Illinois Bankers Association

are scheduled for this week: March 18—Group 5, Holiday Inn, Quincy; March 19—Group 8, Hotel Orlando, Decatur; March 20—Group 6, Hotel Pere Marquette, Peoria.

**CHICAGO:** The next meeting of the Association of Chicago Bank Women will be held at the Women's Athletic Club here on Tuesday, March 18.

**DES PLAINES:** Harry E. Mertz has been elected president and director of the Des Plaines Trust and Savings Bank.

**MONMOUTH:** Burke Petersen, president and trust officer of the Smith Trust and Savings Bank, Morrison, Ill., has purchased a majority stock interest in the Monmouth Trust and Savings Bank. He will remain in Morrison as president of the bank there. He also owns the First National Bank of Eagle County, Eagle, Colo.

**OAK PARK:** William L. Eifrig, vice president and trust officer of the Oak Park Trust and Savings Bank, has been elected senior vice president. Roger A. Himmel has been elected vice president and Richard J. Lingl assistant cashier.

**PALATINE:** Richard G. Aird has been named assistant vice president of Palatine National Bank.

## SOUTH DAKOTA NEWS

**ABERDEEN:** The Board of Governors of the Federal Reserve System has approved application of the Dacotah Bank Holding Company as a registered bank holding company. Control of the Farmers and Merchants Bank, Aberdeen; Citizens Bank of Mobridge; Citizens State Bank, Clark, and Security Bank, Webster, will be held by the Aberdeen organization after 30 days.



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## NORTH DAKOTA NEWS

**WILLISTON:** T. M. Davidson has been promoted from executive vice president to president of the American State Bank. K. M. McConnell has been promoted from vice president to executive vice president and R. W. Mode from vice president to senior vice president and cashier.

## WYOMING NEWS

**LARAMIE:** The following four promotions have been announced at the First National Bank: James V. Mason has been elected real estate loan officer; Lawrence R. Knoll, comptroller; Larry E. Chasey, accounting and processing officer; Kenneth L. Griffin, auditor.

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### COLORADO NEWS

**BOULDER:** The dispute over control of the National State Bank has ended as Boulder Valley rancher and businessman Donald M. Culver has agreed to buy some 20,000 shares of bank stock from H. Lee Sturgeon, Rocky Ford banker and recently elected director and vice president of the National State Bank. Mr. Culver will exercise his option on the stock at \$100 a share sometime this month. The settlement leaves Mr. Culver with about 80% of the total stock in the bank.

### Savings...

(Continued from Page 1)

the development of effective central file and management information systems, so the banks can gain the correlary business of customers and generate the full savings deposit potential from all who use the bank.

With regard to costs, the marketing department can also help develop savings forms that provide maximum attractiveness on a non-rate basis to bring in customers for other reasons than maximum interest return. It also can help—

through effective management information systems and central files—to make sure that all the loans made with the expensive savings funds bring in as much in demand balances and fees as they possibly can to help cover the cost of the funds loaned out.

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