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Minnesota Suit Tests Bank Card Charges

Test suits that could very well determine the future of bank credit card operations in Minnesota have been filed by Minnesota against two banks in that state and one in Nebraska.

Minnesota Attorney General Douglas Head filed one suit in Olmsted County District Court against the Olmsted County Bank & Trust Company of Rochester and The Omaha National Bank of Omaha, Nebr. The second suit was filed against St. Cloud National Bank & Trust Company in Stearns County District Court.

The suits allege that the banks have issued Master Charge credit cards to Minnesota consumers and have assessed finance charges of 1½ per cent per month on the unpaid balance. This finance charge, the suit alleges, is "greatly in excess of the 8 per cent maximum allowed" by Minnesota state law. The suit asks the court to issue injunctions ordering the banks to halt this practice where interest exceeds that allowed by law.

Atty. Gen. Head further asks cancellation of those portions of present charge card contracts that levy interest charges exceeding the rate allowable by Minnesota law. He also asks the court

to have the three defendants reimburse the state for its costs in connection with the suits.

In a collateral case, the Attorney General has entered another lawsuit now pending in Minneapolis federal district court, filed by the Minnesota AFL-CIO against Montgomery Ward, challenging its 1½ per cent monthly service charge.

In the Minnesota banks involved in the two bank suits, there are apparently two methods of operation. St. Cloud National Bank & Trust Company runs its own Master Charge credit card program, making all the loans in its own bank and handling collections and finance charges entirely in its own institution.

Olmsted County Bank & Trust acts as an agent bank in Minnesota for The Omaha National Bank. Under this arrangement, the paperwork is processed in Omaha through the charge card computer center in which Omaha National is a partner. An official spokesman for the Omaha National told *Northwestern Banker* that the charge card operations in this connection are considered to be originated in Nebraska and that the bank's attorneys assure them they are acting entirely

within the law. Nebraska state law, as do many other states, specifically permits finance charge of 1½ per cent per month on the outstanding balance, while spelling out a different usury rate on simple interest rate loans.

This dilemma of not being able to charge 1½ per cent on the outstanding balance, and inability to operate a charge card program profitably under the lower 8 per cent usury law has prevented major Minnesota banks from entering the bank charge card business as other banks around the nation have done. An officer of one of the major Twin City banks agreed that the Attorney General's suit could well force a change in this situation.

If the state's suit is upheld, there will be pressure on the Minnesota legislature to change the state law that keeps Minnesota banks from competing in a market in which banks in most other states can legally operate. If the suit is denied and The Omaha National and Olmsted County Bank & Trust are upheld, the court will then have established the right of Minnesota banks to place their charge card paper outside the state on the 1½ per cent basis.

If the latter should prevail,

(Continued on back page)

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IOWA NEWS

ALTA: George W. Morrow, executive vice president of the First Trust and Savings Bank, has announced the election of Harry E. Melander to the board of directors. All other officers and directors were reelected.

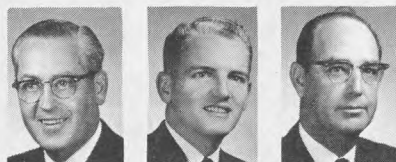
ALTOONA: The Altoona State Bank recently celebrated its 10th anniversary.

ANTHON: Frank C. Gothier has been promoted from vice president to vice chairman of the board of the First Trust and Savings Bank. Mr. Gothier has been a bank director for many years.

DAVENPORT: Tom Robinson has been appointed assistant cashier of the First Trust and Savings Bank. He will be manager of First Trust's new motor bank at 37th and Division streets.

DES MOINES: The Iowa group of the National Association of Bank Women will hold its state convention here at the Hotel Savery, August 12-13.

FOREST CITY: The Forest City Bank and Trust Company has opened a new trust department with Dr. J. P. Jorgensen, a former veterinarian, as



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trust officer. The bank recently celebrated its 75th anniversary with an open house.

HOLSTEIN: The withdrawal of the Holstein State Bank from the Federal Reserve System without six-month's notice has been approved by the Federal Reserve.

PRESCOTT: The First National Bank recently celebrated the remodeling of its bank building with an open house.

NEBRASKA NEWS

LINCOLN: Samuel Clark Waugh, former head of the Export-Import Bank and an official of the State Department, has died in Washington. Mr. Waugh, a native of Plattsmouth, Nebr., was once president of the First Trust Company, Lincoln. He became president and chairman of the Export-Import Bank in 1955.

MINNESOTA NEWS

The ninth annual convention of the Independent Bankers of Minnesota will be held on Wednesday and Thursday, September 2-3 at the Radisson Hotel in Minneapolis. During the convention there will be a discussion of the Golembe report, a reenactment of the history of independent banking by a group from the Old Log Theatre, and action on proposed amendments to association articles and by-laws. Registration will begin at 2:00 p.m., Wednesday, and the convention will adjourn at 4:00 p.m., Thursday.

ALBANY: The Stearns County National Bank has been sold by the Stearns Agency to Norman C. Skalicky. Of the 1,650 outstanding shares, 995 were involved in the transaction.

BLAINE: A bank charter application has been filed for the proposed Blaine State Bank. The incorporators are Herbert W. Bacon of Fridley,

Donald W. Harstad of Minneapolis, Donald C. Savelkoul of Fridley, and William H. Beery of Wayzata. The proposed capital structure of the bank is \$400,000. No hearing date has been set by the Minnesota Commerce Commission. The Blaine City Council approved a resolution July 16 asking for approval of the application by the Commerce Commission.

HASTINGS: Two new officers have been named by the Northwestern National Bank. John P. (Jack) Christenson, who has been with the bank since 1967, has been named a vice president and Roger J. Reuter, who has been at the bank five years, has been made an assistant vice president.

MINNEAPOLIS: Northwestern National Bank has named Thomas A. Hayden and Bruce C. Myers correspondent banking officers.

NEW BRIGHTON: The Federal Deposit Insurance Corporation has approved an application by the First State Bank to move the location of its main office from 824 Fifth Ave. Northwest to 2229 Palmer Drive (in the vicinity of I-694 and Silver Lake Road), New Brighton.

NEW PRAGUE: The Controller of the Currency has announced that the First National Bank has been sold by Vestors Group to the Topka family. Of the 500 shares of stock outstanding, 402 were involved in the transaction.

PRINCETON: The Banking Division of the Department of Commerce has authorized an amendment increasing the amount of capital stock of the Princeton State Bank from \$200,000 to \$300,000 by sale of new stock.

ST. PAUL: The Western State Bank recently honored Mrs. Laverne Tschida and Mrs. Elrene Olson for 25 years of service with a continental breakfast in the lounge of the newly remodeled bank. Both received engraved white-gold wrist watches.

SANBORN: Clyde Grenz has been appointed cashier of the Sanford State Bank. Mr. Grenz has been managing officer of the First National Bank of Brewster.

WAYZATA: The Federal Deposit Insurance Corporation has approved the application of the Wayzata State Bank to exercise trust powers.

YOUNG AMERICA: A meeting was

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held on July 8 at the State Bank of Young America for all the officers, directors, employees and their spouses of the seven Klein Banks. The event was held for viewing of the newly remodeled bank and its new addition.

ILLINOIS NEWS

CHICAGO: Douglas D. Martin has been appointed assistant cashier at the Uptown National Bank.

CHICAGO: Five men have filed an application for a new state bank with the state commissioner of banks and trusts. To be called the Bank of Commerce and Industry, it would be located at 6104-20 Northwest Highway, Chicago, and would have a capital stock of \$300,000, a surplus of \$300,000 and a reserve for operating expense of \$150,000.

Organizers are Harold J. Green, Jules R. Green, Harold S. Lansing, and Edward H. Schwartz, all of Chicago, and Richard P. Larsen of La-Grange Park.

JOLIET: Gerald S. O'Sullivan has been appointed operations officer, Thomas G. Tapella, loan and collections officer, and Mrs. Geraldine G. Griff, assistant cashier of Louis Joliet Bank.

WOOD DALE: The Federal Deposit Insurance Corporation has approved the application for federal deposit insurance of the Bank of Wood Dale.

SOUTH DAKOTA NEWS

ABERDEEN: Gordon J. Curren has announced his resignation as president and director of the Farmers & Merchants Bank effective August 31. He was named president of the bank in January, 1969. Before that he was a vice president of the Huron branch of Northwestern National Bank. Mr. Curren says that his future plans are indefinite.

SIOUX FALLS: Donald F. Bertsch has been elected controller of the National Bank of South Dakota. Before joining the National Bank of South Dakota in July, 1968, he was a regional examiner for First Bank System.

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WYOMING NEWS

GILLETTE: Dennis Lockenvitz is a new officer with the First National Bank. He has been with the First National Bank of Tucson, Arizona.

LARAMIE: The Outstanding Civilian Service Medal has been presented posthumously by the U. S. Army to Max E. Fisher, chairman of the First National Bank until his death March 8. He was Wyoming civilian aide to the army. The medal was presented to his widow, Mary.

LARAMIE: The old First National Bank building and the old Converse building are being demolished to make way for a parking lot. Service at the bank will continue while demolition—to take about a month—goes on.

NORTH DAKOTA NEWS

MINOT: A federal grand jury has indicted the First Western State Bank, Minot, and six of its officials and shareholders on charges of conspiring to make political contributions from bank funds.

Named defendants in the six-count indictment were: Mark Purdy of Minot who resigned this year as state Democratic national committeeman; State Representative Hayden Thompson, president of Pioneer State Bank, Towner, and formerly chairman of the board of First Western; State Senator Herbert Meshke of Minot; Larry Erickson, Minot, former chairman of the Democratic Nonpartisan League of North Dakota and a former director of First Western; Gary Williamson, Minot, a former state representative and a member of the Democratic League; and State Representative Richard Backes, Glenburn, a member of the

League and a former director of First Western.

Earlier, Gary McDaniel, former president of the bank, was found guilty on federal charges of embezzlement, misapplication of bank funds, and making false entries. He was named a co-conspirator with the six others but not a co-defendant.

All seven were accused of conspiring to cause the bank to make contributions and expenditures in connection with federal elections during a five-year period from 1964 to 1969 with the purpose of increasing the bank's deposits and assets through acquisition and exercise of political power.

COLORADO NEWS

BOULDER: Leo Hill, president of the First National Bank, paid \$40,000 in small bills July 30 to an extortionist who called the bank and told

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Mr. Hill that his wife was being held hostage. After the payment, it was discovered that Mrs. Hill was at a beauty salon all the while. In January, 1967, Mr. Hill paid an extortionist \$50,000 to a man who actually was holding Mrs. Hill hostage.

In the present case the extortionist had not been apprehended at last notice.

DENVER: The American National Bank has announced appointment of three new officers. Gerald Hussey, formerly with Boulder National and Columbine State banks, has been made vice president of the bank's commercial loan department.

Lawrence E. Hill, previously with the United California Bank in Los Angeles, has been appointed assistant vice president in the correspondent department.

Lawrence N. Duncan, who was formerly associated with Security Pacific National Bank in Bakersfield, Calif., has been named operations officer.

On the Legislative Front

Congress has taken action on several bills of interest to banks in recent days:

Rep. Wright Patman (D., Tex.), chairman of the House Banking and Currency Committee, introduced legislation to curb three practices of banks about which complaints have allegedly been received in the past year. These are the use of brokered deposits, equity kickers and premium giveaways. The use of brokered funds, he said, has caused the failure of nine banks since 1964, including State Bank of Prairie City, Ia.

The Senate Banking Committee's securities subcommittee has un-animously approved a bill requiring anyone who buys more than five per cent of a corporation's stocks to disclose information about himself. This would include his identity, background, his source of funds, information about a tie-in with businesses he controls, and if he proposes to acquire corporate control, his plans about mergers, liquidations or sales of the firm's assets.

The Senate passed by voice vote a rider (to an unrelated bill) that gives the Treasury Department authority to increase the interest rate on U. S. Savings Bonds from 5 to 5½ per cent. It would be retro-active to last June 1.

Minnesota Suit ...

(Continued from Page 1)

Minnesota banks would undoubtedly then go to the legislature asking them to legalize under their own state law what can be done legally by Minnesota banks outside the state.

A third possibility is that the matter of finance charges before the court cases are heard and legalize the rate that lenders say is needed to operate under today's economy.

If the state prevails in both suits and the legislature fails to take remedial action, then the use of bank charge cards would appear to be a dead issue for the time being. If the other suit against Montgomery Ward is upheld, then time sales in Minnesota might come to the impasse that prevailed in Nebraska when the Nebraska Supreme Court in 1959 declared that state's time law unconstitutional. This led to a year-after-year round of new

bills trying to establish a workable law on time sales, only to have the laws declared unconstitutional by the Supreme Court of the state. The situation was finally resolved when a constitutional amendment was approved in 1964 by Nebraska voters, thus giving approval to a new set of time sales laws, including the setting of finance charges.

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