

NORTHWESTERN Banker

Oldest Financial Journal Serving The Central and Western States

No. 1256

Des Moines, Iowa

November 9, 1970

Justice Department Warns Against Using Balances for Preferred Loan Rate

Presidents of all national banks were issued a tough warning last week by the United States Justice Department against using correspondent bank balances to obtain loans at preferential rates of interest. The Department states there are no cases at this time in which this practice is construed "as a misapplication under the criminal statutes." The memo clearly includes loans to purchasers of bank stock at preferred rates of interest, which would have important ramifications for those trying to purchase substantial or controlling interest in a bank.

The memo was transmitted by the Assistant Attorney General in charge of the Criminal Division of the Department of Justice to the Comptroller of the Currency, the FDIC, Federal Reserve Board and the Federal Home Loan Bank Board, with the suggestion that it be distributed to all financial institutions under their supervision. The memo from the Justice Department follows:

"Reference is made to the conversations which representatives of the Criminal Division have had with you and members of your staff

concerning the practice of bank officials utilizing the correspondent accounts of their banks for the purpose of compensating lending banks for loans granted to these officials. By using these non-interest bearing correspondent accounts in this manner, some borrowing officials have been able to obtain loans at preferential rates and to circumvent other statutes and administrative regulations promulgated for the protection of Federally regulated or insured banks. Since the borrower maintains these balances as a condition of the loan, he is able to utilize the funds and credits of his bank for his own personal benefit.

"Investigation into this area disclosed that this practice is fairly widespread, particularly in certain areas of the country, both in the initial acquisition of a bank and at subsequent times. There are no cases, at the present time, construing this practice as a misapplication under the criminal statutes. We believe, however, that where the facts demonstrate a clear detriment to the bank and a concomitant benefit to its officers this activity would, at a

minimum, constitute a breach of the fiduciary duty owed by the officials to the bank and might in certain situations warrant prosecutive action.

"In light of the foregoing, your office, together with the Federal Deposit Insurance Corporation, the Federal Reserve Board, and the Federal Home Loan Bank Board, may wish to consider advising the banking industry of our view that the above practice might constitute a violation of Federal criminal statutes."

Anticipating Prime Rate Cut

A continuing decline in loan demand is being cited by bankers in several major cities as the forerunner of another cut in the prime interest rate from its present level of 7½%. A reduction in the rate is expected by some to come possibly by Thanksgiving, even earlier.

While the demand for loans decreases as corporations pay off bank loans at an accelerating rate, the cost of money to banks has not kept the same downward pace. Bankers would rather see a reduction in the discount rate lead the way. The Federal Reserve, however, appears to have a crucial decision facing it. It is generally felt that the fires of inflation have not been banked enough. Yet, in

(Continued on back page)

There are so many ways we can help you
That's why over half the banks in Iowa are
—MNB correspondents

Forbes Olberg
Executive Vice President



MERCHANTS NATIONAL BANK

CEDAR RAPIDS, IOWA

MEMBER FDIC





*We're here to help
you get what you want*

IOWA-DES MOINES NATIONAL BANK

Bob Buenneke

Member Federal Deposit Insurance Corporation

IOWA NEWS

DUBUQUE: William G. Kruse, who has been executive vice president and cashier of First National Bank, will become executive vice president and secretary, a new post. Robert G. Koehler has been promoted from assistant vice president and comptroller to vice president and comptroller. J. Bruce Meriwether will move from assistant vice president to vice president and cashier, and Daniel E. Welu and Leo M. Mallie, who have been assistant vice presidents, will become vice presidents.

KEOKUK: Burtwin L. Day has resigned as vice president of the Keokuk Savings Bank & Trust Co. He has been with the bank since January, 1967, as vice president. He started his banking career in 1961 as an officer trainee at the Wright County State Bank in Clarion and left there as vice president and cashier to join the Keokuk Savings Bank. He has not announced his immediate future plans.

MARION: Farmers State Bank will

celebrate 25 years of banking service in Marion with an open house November 15 from 1:00 to 4:00 p.m. There will be free gifts for everyone, a drawing for \$500 in prizes, refreshments, and an appearance by Miss Iowa.

Farmers State Bank moved from Alburnett to Marion in 1945 and has grown from \$2.5 million in assets to \$26 million.

MAYNARD: At the Maynard Savings Bank, H. A. Buenneke, formerly president, has become chairman, Paul A. Harrison, formerly executive vice president, has become president and Don W. Buenneke, formerly vice president, has become senior vice president.

WYOMING NEWS

RAWLINS: First National Bank recently opened a travel and recreation department, according to F. A. Rummel, Jr., president. Henry Hewitt is head of the new department which will function in association with Cheyenne Travel Service.

NEBRASKA NEWS

LINCOLN: W. E. (Bill) Carley, vice president of First National Bank's Lincoln Tour & Travel division, was elected to the nine-member board of governors of the Association of Bank Travel Bureaus at the association's annual convention last month in Dubrovnik, Yugoslavia.

ILLINOIS NEWS

BRIDGEVIEW: A charter for a state bank to be called Bridgeview Bank has been issued by the Illinois Commissioner of Banks and Trusts. The bank will be located at 7940 South Harlem Ave. in Bridgeview. Total capitalization of the bank will be \$750,000. James W. Haleas is chairman of the board and George L. Rasmussen, Jr., president.

MATTESON: An application for a permit to establish a new Illinois state bank has been filed with the Commissioner of Banks and Trusts. The bank, to be called Heritage Bank of Lincoln Mall, would be located at the southeast corner of U. S. 30 and state route 50. Capitalization would be \$800,000. The organizers are Harold R. Spurway of Glenview, Norbert F. Armour of Palos Heights, Alfred J. O'Malley of Chicago, Walter H. Ehrmann of Olympia Fields and Donald O'Toole of Flossmoor.

PEKIN: Ray Thurlwanger has been appointed to the position of marketing specialist for First National Bank & Trust Co. of Pekin. He has been manager of the A&P supermarket in Pekin since 1932.

MINNESOTA NEWS

The Minnesota Bankers Association will hold four more sessions in its state-wide series of regional staff training and public relations meetings at: St. Paul on November 10, Bloomington on November 11, Windom on November 17, and Albert Lea on November 18. Meeting speakers will be discussing the banker's service to the public, employee attitudes, customer relations, and selling bank services. The announcement was made by D. A. Sirek, chairman of the MBA's public relations and marketing committee and vice president of the State Bank of New Prague.

ADA: G. Howard Spaeth, president of the First State Bank of Ada, has announced that Byron K. Miller has been promoted to cashier, filling the vacancy created by the resignation of

more bank
for your
money.

SNB
**SECURITY
NATIONAL
BANK** 6TH AND PIERCE
SIOUX CITY IOWA



Correspondent services? Rely on
"the pacesetter bank."

"the
pacesetter
bank"



Bankers Trust co.

SIXTH AND LOCUST, DES MOINES
Member: Federal Reserve System and
Federal Deposit Insurance Corporation

Call on the "Performance Team"...

Specialists in underwriting and distributing Municipal Bonds.

FIRST NATIONAL BANK & TRUST COMPANY OF LINCOLN

13th and M Street • Lincoln, Nebraska 68501 • Member, F.D.I.C.



Gerald G. Gast. Mr. Miller joined the bank as assistant cashier in July.

BEARDSLEY: Francis Miller, 52, cashier of the Security State Bank of Beardsley, died recently in Graceville. Funeral services were held October 22 in Beardsley.

BLOOMINGTON: A charter has been issued by the Banking Division for the establishment of American State Bank of Bloomington. The bank opened for business November 3 at 10544 Frances Ave. South. The bank has capital of \$400,000, surplus of \$200,000, and undivided profits of \$300,000. Patrick W. Colbert, Jr., is the president, Dwane E. Billbe and William E. Guenther are vice presidents and Curtis A. Benson is cashier.

CARLTON: Stuart Beck has been elected chairman of the board of the new Carlton National Bank. The bank was organized September 9 and purchased the assets and assumed the liabilities of the First National Bank of Carlton, now in liquidation.

Odin Roberts has also joined the bank and will go through a training program. He had been with Conwed Corp. as an accountant since 1966.

MANKATO: The Banking Division has authorized a change of the name of the Farmers State Bank of Rapidan to Security State Bank of Mankato and a change of location from Rapidan to Mankato. An increase in the capital stock from \$50,000 to \$200,000 by

sale of new stock was also authorized.

ST. PAUL: Richard E. Stevenson, president of Highland Park State Bank, St. Paul, since 1969, has been elected president of the Valley National Bank of Eagan Township. Edward L. Kalafat will succeed Mr. Stevenson as president of Highland Park State Bank. Mr. Kalafat joined the latter bank as vice president in 1969.

SOUTH DAKOTA NEWS

ABERDEEN: Fred B. Stiles, 83, died recently in Aberdeen. He was active in South Dakota banking for more than 50 years. He started in banking with the Owanka State Bank in Pennington County. From there he went to First National Bank in Watertown and was president there before becoming president of the First National Bank in Aberdeen. He retired as president of the latter bank in 1952. At the time of his death he was chairman of McCook County Bank at Salem, one of about a dozen banks he has owned or managed in South Dakota.

HOT SPRINGS: The Hot Springs branch of the National Bank of South Dakota recently held open house in celebration of its ten years of operation. Employees greeted customers with cookies and coffee from 9:00 a.m. to 6:00 p.m.

MOBRIDGE: The board of directors of First National Bank of Aberdeen recently met to honor W. D. (Dan) Heupel who retired recently as vice president and manager of the Mobridge branch of the bank after 43 years in banking.

The board elected Russ Ness to succeed Mr. Heupel as vice president and manager. Mr. Ness has been with the bank 16 years and was formerly assistant vice president and assistant manager, positions which will now be assumed by Mike Stehly. Mr. Stehly, who has been with the bank since 1959, had been installment loan officer and installment

loan department manager since January.

VIBORG: The Security National Bank recently moved to its new building at the north corner of the business district. More recently the bank held an open house in its new quarters.

COLORADO NEWS

DENVER: The Federal Reserve Board has approved the applications of the United Banks of Colorado, Inc. to acquire controlling interest in The Colorado Springs National Bank, Colorado Springs, and the Mesa National Bank, Grand Junction.

Colorado Springs National Bank has assets of over \$44 million and Mesa National Bank has assets of nearly \$9 million.

DENVER: The Federal Reserve Board has approved the application of Colorado CNB Bankshares, Inc., of Denver to acquire control of Arapahoe Colorado National Bank in Arapahoe County near E. Arapahoe Road and S. University Blvd. The Arapahoe bank is a proposed new institution.

MONTANA NEWS


T. C. Beyrodt, publicity chairman of the Glacier Chapter of the Bank Administration Institute, has announced that the chapter will hold its quarterly meeting at the Rainbow Hotel in Great Falls on December 5. Managing officers of all Montana banks will be invited, since this is a "managing officers meeting."

The featured speaker will be Chet Huntley, former NBC news commentator. He will speak at the symposium and dinner at 6:00 p.m. Among the speakers scheduled during the meeting, which begins at 9:00 a.m. and includes a noon luncheon will be: Charles R. Walker, vice president

Northeast Iowa Banks

When you're ready for it, make an appointment to see our computer compute. It can solve a lot of problems for your bank. When your bank needs this or any other service, call Bill Rickert or Ken Young.

 **National Bank of Waterloo**



YALE BANKLOCK SERVICE
DIVISION
F. E. DAVENPORT OFFICE
2066 FARNAM ST.
OMAHA, NEBRASKA 68102

YOUR STATE BANKERS ASSOCIATION
SPECIALISTS IN SALES AND
SERVICE OF SECURITY EQUIPMENT



A professional service to
the financial community

**Bank Design
& Remodeling**

uni-service, inc.
Box 333 Hampton, Iowa 50441
Call Collect 1-515-456-4640



COULSON FRANCIS AND ERISMAN

Three of our men
on your side at



Fred Coulson



Ron Francis



Elmer Erisman

COMMERCE BANK of Kansas City

and auditor of the U. S. National Bank of Oregon, Portland; Dr. Samuel B. Chase, research professor of economics, University of Montana, Missoula; Harold Uecker, personnel officer, Great Falls National Bank; Stanley L. Schmuckler, vice president and personnel director, Seattle First National Bank; and Paul Olander, vice president, First National Bank of Great Falls.

BIGFORK: The FDIC has approved coverage for the First State Bank of Bigfork, which has total capital accounts of \$250,000. President of the bank is Henry H. Arndt.

DEER LODGE: Burton W. Gilmore, executive vice president and cashier of the Deer Lodge Bank and Trust Co., died suddenly October 29. Services were held in Deer Lodge.

Prime Rate...

(Continued from Page 1)

view of the decreasing loan demand, pressure is reported to be mounting for the Fed to stimulate the economy. The Fed Governors, then, would

prefer to see the rate reduction led in this case by a drop in the prime rate by banks.

The bank prime rate was reduced earlier this year from a record-high 8.5% to 8%, and was further reduced to 7.5% in September.

Emmett G. Solomon, chairman of Crockert Citizens National Bank, San Francisco, stated last week that the demand for bank loans has gone down to the point where there is now "room to consider credit accommodations that we could not have considered six months ago." Without a sharp upswing in loan demand, he noted, the 7.5% rate could be pressured downward.

In Chicago, several leading bank executives voiced similar opinions in an earlier report. Donald C. Miller, senior vice president of the Continental Bank, said "Company after company is reducing or paying off its bank lines of credit. Many of these companies feel they have been over-using their bank credit lines, and they've been under bank pressure for some time to cut back." Mr. Miller explained that many of these companies have bank loans falling due every few months are now beginning to issue their own longer-term bonds and other securities. As a result of this large drop in loan demand, Mr. Miller said, a cut in the prime rate by Thanksgiving is "very possible." William J. Korsvik, vice president

and economist at First National Bank of Chicago, voiced similar thoughts. He said, "Companies are getting religion," and he sees no big rise in bank loans in the next few months. Mr. Korsvik also noted there could very well be two reductions in the prime rate by next June, and by mid-1971 we will have seen the end of the down-swing.

Robert E. Hunt, executive vice president of Northern Trust Company, Chicago, described his bank's reduced loan demand as "a slow general decline, not a precipitous drop."

WANT ADS

Rates 25 cents per word per insertion. Minimum: 12 words.
NORTHWESTERN BANKER
306 15th St., Des Moines, Iowa

EXCELLENT OPPORTUNITY

To earn \$40,000 per year or more with well established firm. Banking or bank association background preferred. This is a prestige sales position. No age limit. Send resume in complete confidence to File MSB, NORTHWESTERN BANKER, 306 - 15th St., Des Moines, Iowa 50309.

CASH FLOW SHEETS

Monthly cash flow income and expense forms - so helpful in planning budget loans for farmers and ranchers. Samples available. Farm Business Council, Inc., 1300 Hagan Street, Champaign, Illinois 61820.

LASALLE'S Teller Referral Guide can help your tellers work more efficiently

It's a handy card that gives your tellers a complete step-by-step procedure for the proper handling of their various operations. Yours without charge. Just write or phone Cy Kirk or Max Roy at the LaSalle National Bank in Chicago today. Telephone 312/782-5200.

- I would like to sell my majority bank stock.
- I would like to buy majority bank stock.

Please Contact: J. Mason Henry, Pres.
CHARLES E. WALTERS CO., INC.
P. O. Box 1313, Omaha, Neb. 68101
Phone: (402) 553-6400



Bank Under the Big

"The Bank That Cares"

CENTRAL NATIONAL BANK AND TRUST COMPANY
Member Federal Deposit Insurance Corporation

No. 1256 Northwestern Banker is published five times monthly (including magazine issue) by the Northwestern Banker Company, 306 Fifteenth Street, Des Moines, Iowa 50309. Subscriptions 50¢ per copy, \$6 per year. Second class postage paid at Des Moines, Iowa. Address all mail subscriptions, changes of address (Form 3579), manuscripts, mail items to above address.