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Looking Ahead at Lending in the '70's

Thomas F. Duffy, vice president, The Northern Trust Company, Chicago, in his presidential address at the 56th annual fall conference of The Robert Morris Associates in Boston, commented on changes in lending procedures during the 1970's. Excerpts from his talk appear below:

"The loan officer will operate in a period where the name of the game is liability management rather than asset management as banks make every effort to search out and develop sources of funds. We must reconcile ourselves to working in an atmosphere of persistent capital shortage, a condition which our country has experienced only intermittently in the past.

"I believe this financial prognosis has important implications for those sitting on the loan platform. The loan officer simply has to be better informed about his bank's policies on asset and liability management. How can he place a price on his product—loans—if he doesn't know the cost of the raw material and his overhead? In a time of interest-differential banking, a credit officer must be a more broad-gauged individual than he was in those



Thomas F. Duffy

days when there was plenty of money to lend. He cannot be merely assigned to a desk, with a loaning authority, and told to grant sound credits. I suggest that he has to be brought within the policy-making, management circle in order to make the most effective contribution to his bank's profit plan.

"The financing of new industries also will be part of the loan officer's responsibility in the seventies. New credit needs in such areas as oceanography, pollution control, and the nuclear and space sciences will challenge us to come up with new credit criteria and techniques not yet on the drafting board. The average loan will become increasingly complex. I am sure you will agree that we will see more revolving

credits and term loans, more 'evergreen' credits. A corollary is that the practicing loan officer, no matter how many years he has spent on the platform, must be a participant in continuing education programs. These may consist of in-bank sessions, postgraduate work at universities, such as RMA's Loan Management Seminar, or other programs sponsored by his banking associations. The fast-moving pace of our profession demands such training. For ex-
(Continued on back page)

Discount Rate Cut

The Federal Reserve Board last week cut its discount rate from 6% to 5-3/4%, effective last Wednesday. The cut in the Fed's lending rate to commercial banks, however, applied to only six of the 12 district reserve banks, including Boston, Richmond, Atlanta, St. Louis, Minneapolis and San Francisco.

The seven-member board, which agreed unanimously to the cut, said in its announcement that the reduction "was in recognition of reductions that have taken place recently in other short-term interest rates, and is designed to bring the discount rate...into better alignment with short-term rates generally."

The cut almost assures that commercial banks will soon reduce their 7½% prime rate.

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MINNESOTA NEWS

BLOOMINGTON: The FDIC has approved coverage for the American State Bank, whose president is Patrick W. Colbert, Jr. The bank has total capital accounts of \$900,000.

BROOKLYN PARK: A state bank charter has been issued for the Brooklyn Park State Bank, with capital of \$200,000. President is Harold J. Pohlad.

DULUTH: William E. LeNeau has been elected vice president of Northern City National Bank. He has been with the bank since 1962.

HANSKA: John J. Schmidt, a local farmer, has been elected to the board of the State Bank of Hanska.

ST. CLOUD: Dan J. Brutger, a local home builder, has been elected to the board of Northwestern Bank & Trust Co.

VIRGINIA: Ralph O. Johnston has been elected vice president of the First National Bank of Virginia. Since 1959 Mr. Johnston has been with a bank in LaCrosse, Wisc.

IOWA NEWS

The Iowa Bankers Association's 23rd Annual Tax School will be held at the Hotel Fort Des Moines in Des Moines on November 23 and 24. The school is held in cooperation

Prime Rate Cut

Following announcement of the lowering of the discount rate at six of the Federal Reserve Bank districts last week, the Chase Manhattan Bank, N.A., New York City, lowered its prime rate to 7¼% on Thursday, and the Continental Illinois National Bank & Trust Co. of Chicago followed with a similar action.

It is believed that other key banks will make a similar move soon.

with federal and state taxing agencies and Iowa State University.

Emphasis of the school, taught by staff member of the taxing agencies, will focus this year on the tax reform act of 1969. Registration this year will cost \$12.

AINSWORTH: Charles C. Snyder, sheriff of Washington County for 22 years, has resigned that position to accept a position with the Ainsworth State Bank.

ATLANTIC: Richard L. Granger has joined the First Whitney Bank and Trust as an assistant vice president and loan officer. He was formerly assistant vice president in installment loans for the Commercial State Bank of Marshalltown.

DES MOINES: Gary D. Peterson has joined Bankers Trust Co. as manager of the credit department and Verlon L. Britt has been named correspondent bank officer. Mr. Peterson has been assistant examiner with the Federal Reserve Bank of Chicago, and Mr. Britt has been assistant cashier in the computer sales department of the Iowa-Des Moines National Bank.

EARLING: Farmers Trust & Savings Bank has recently increased its capital stock from \$60,000 to \$120,000.

NEBRASKA NEWS

AURORA: The First National Bank's new drive-in, walk-in facility at 1110 L Street recently opened for business.

AURORA: The Farmers State Bank will start work on a new building next March. The building will be erected east of the present facility and will be at the southeast corner of the square.

BEATRICE: Harvey T. Orndorff has been named vice president and cashier at the First National Bank and Trust Co.

BELLEVUE: The board of directors of the Bank of Bellevue has announced the promotion of Fred Wilson to assistant vice president.

CLEARWATER: Work has begun on a 25 by 50 foot addition to the north side of the Citizens State Bank building.

DAVENPORT: The Jennings State Bank is in the process of constructing a new bank building located on the main street of Davenport.

FAIRBURY: Earl E. Van Steenhuyse has been elected executive vice president of the First National Bank.

FREMONT: Neil W. Schilke has been appointed to the board of directors of the First National Bank to fill the vacancy created by the recent death of Bernard L. Havekost.

Max L. Martz has joined the bank as a trust officer. He had been vice president of Pershing College, Beatrice, since last year.

HASTINGS: Howard C. Pratt, 75, a former Hastings banker, died recently in Beverly Hills, California.

HAY SPRINGS: The Northwestern State Bank terminated business today. In March John Vucurevich of Rapid City, S. D., purchased Northwestern State Bank and the First National Bank, also of Hay Springs, and when voluntary liquidation procedures for the former are completed all business for the banks will be carried on at the First National.

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MINDEN: Homer E. Pierce, formerly of Grand Island, is now vice president and loan officer at First National Bank of Minden.

OMAHA: Clifton B. Batchelder, a director of the Omaha National Bank, has been elected to the board of Bellevue College.

ORCHARD: Work started recently on an addition of 14 feet by 25 feet to the Bank of Orchard.

RED CLOUD: The following were recently elected officers of Peoples-Webster County Bank: John W. Sherwood, chairman; Glen A. Ely, president; LeRoy Heideman, vice president; Dean Whaley, vice president and cashier; and Gary Meyer, assistant cashier.

STROMSBURG: Clarence Rudeen is retiring after 42 years with the First National Bank. He has been executive vice president.

ILLINOIS NEWS

CHICAGO: The Illinois Commissioner of Banks and Trusts has issued a charter for the organization of the Highland Community Bank at 7919 South Ashland Ave., with total capital of \$750,000. Joseph G. Bertrand is president and George R. Brokmond, vice president and cashier.

CHICAGO: The First National Bank of Chicago will hold its 24th annual Conference of Bank Correspondents on November 23 and 24. There will also be an open house in the bank from 3:30 p.m. to 6:30 p.m. on Sunday, November 22.

GALENA: The First National Bank of Galena recently held a grand open-

ing for its new building, located at Commerce and Perry Streets. The bank presented orchids to ladies attending and gifts and refreshments for everyone.

WINNETKA: Thomas A. Barr has been elected vice president of the Winnetka Bank. Formerly an officer with Northern Trust Company, Chicago, he has more recently held marketing positions with United Air Lines.

SOUTH DAKOTA NEWS

PIERRE: Construction will begin soon on a 3,000 square foot addition to the Pierre National Bank's downtown bank. The addition will be 28 feet wide and 114 feet deep and will be on the north side of the present facility. The new facilities are expected to be ready in early spring.

SIoux FALLS: Eugene T. Hobbs, 58, vice president of Northwest Security National Bank, died recently in a Sioux Falls hospital. Except for the period from 1946 to 1955, he had worked at the bank since 1930.

COLORADO NEWS

COLORADO SPRINGS: The Colorado Bank Board has approved a charter application for the Citadel Bank to be located at East Platte Ave. and Academy Blvd. on the east side of the city. Applicants for the charter were Frederick M. Farrar, Robert E. Trego, Richard W. Dailey, and Bob Johnston, Jr., all connected with the Colorado Commercial Bank of Colorado Springs, and Orville D. Potts of Colorado Springs.

DENVER: Approval from the Comptroller has been received by the First National Bancorporation to acquire at least 80% of the stock in the Security State Bank, Sterling.

DENVER: Demolition of the Trans-america Title Co. building at 1720 California Street started recently to make way for the construction of a new parking lot for the First National Bank of Denver. It is expected that the area to be made into a parking lot will later be used for expansion of the bank's building.

FLEMING: The Comptroller of the Currency has announced that 502 shares out of a total of 600 have been sold in the First National Bank by Colorado Western Financial and E. A. Karsten to Earl L. Kramer.

LITTLETON: The Colorado Bank Board has approved the application of five men for a charter for the Bank of Littleton. The men are: William P. Johnson of Denver, Richard C. Armstrong, a former Nebraska banker now living in Littleton, Stanley J. Edwards of St. Paul, Nebr., Allan P. Crawford, president of Arapahoe Junior College, and James R. Lincoln, Jr., an official of Redfield Co.



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STERLING: The Federal Reserve Board has approved acquisition of the Security State Bank of Sterling by First National Bancorporation, Inc., a Denver-based holding company.

WIGGINS: The Colorado Bank Board has approved an application for the charter of the First State Bank of Wiggins. Three officials of the First National Bank of Fort Morgan - Henry G. Trautwein, Jr., Jack R. Berryhill and L. R. Christensen - and two men from Wiggins - Dale Richardson and Raymond H. Roark - were listed on the charter application.

Looking Ahead at Lending...

(Continued from Page 1)

ample, we must have a working knowledge of the computer and its products. Indeed, computer applications, such as financial forecasting, lock box site selection, etc. have made the loan officer a marketing man as well as a financial analyst. Moreover, we have made only very modest progress in using the computer for analytical purposes with our own loan portfolios.

"There are still other new developments which will have an impact and which merit brief mention:

1. The domestic loan officer is certain to become involved in international lending through the overseas operations of his national customers. The international sector of credit extension seems somewhat more free-wheeling than many of us are accustomed to observing. I should think we could exercise some constructive influence in this area.

2. What of the 'equity kickers' feature in connection with loan pricing? There are obviously two schools of thought. Some see it as a way of obtaining fair payment for the complicated and time-consuming services required for modern credit packaging. Critics are concerned about the quality of loan decisions based upon the possibility of graduated return. No matter how we personally feel about it, I believe we must consider the concept in our efforts to obtain proper compensation.

3. If we are to make the most of new opportunities, we must contribute our full share to the solution of old, unresolved problems. We are all sympathetic to the credit needs of the

inner city businessman, and many banks are participants in programs designed to assist businessmen from minority groups. I am confident this effort will continue with the realization that counseling and guidance on a continuing basis is equally as important as advancing the funds, in granting inner city loans."

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