

NORTHWESTERN

Banker Newsletter

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Cites Warning on Credit Cards

A senior executive of the Bank of America has warned Rocky Mountain regional bank credit card officials their industry faces "onerous" federal regulation unless they deal promptly with customer complaints and make credit card use more appealing.

Kenneth Larkin, senior vice president of the Bank of America from San Francisco and one of the originators of the BankAmericard system, voiced the warning in an address to the Rocky Mountain BankAmericard convention at the Cosmopolitan Hotel in Denver last week.

After a brief review of how BankAmericard originated in California and came into wide usage throughout the nation, Mr. Larkin noted that the Senate committee of Sen. William Proxmire, D-Wis., will begin holding hearings soon on the Fair Credit Billing Act, legislation which will substantially affect the credit card industry.

"It may be called the Fair Credit Billing Act, but we don't think it's fair," said Mr. Larkin, who is also chairman of the installment loan committee of the American Bankers Association.

Mr. Larkin said the Proxmire bill had been prompted by "325 letters that reached the senator." Only 25 of these, he said, complained about bank servicing of credit card account and most frequently customers complained about difficulties with computer billing.

"These complaints (to Proxmire) should have never come up," Mr. Larkin said. "When the customer writes us a



K. V. Larkin

complaint he should receive a prompt response and the problem should be dealt with."

In the area of rates and discounts, Mr. Larkin said banks participating in credit card programs must "maintain merchant discount schedules, particularly in states where interest rates are limited. In these states, we must find other ways of producing fees."

He said banks and the credit card industry should "take better care of our customers to stop the swell of protests to legislators."

"We can't irritate our customers, we've got to get them to love us," Mr. Larkin said.

By way of accomplishing this end, he called on the bankers to undertake a "vast educational effort" through the use of advertising to inform prospective customers about the advantages of credit cards.

Noting that the American Medical Association has stood fast in its opposition to measures such as medical insur-

ance, clinics and Medicare, Mr. Larkin said, "Let us hope the American Bankers Association will be more responsive to social changes."

He said Sen. Proxmire's original proposal for the Fair Credit Reporting Act, another piece of recently passed consumer legislation, was "just horrible."

"By making reasonable protestations, however, we (the banking industry) were able to get a bill we could live with," he said.

Mr. Larkin said that among other things the pending credit legislation would remove the holder-in-due-course provisions for credit contracts and impose the right of the consumer to sue the credit grantor for "consequential damages" if he should somehow incur harm as the result of a credit purchase.

Noting the financial industry would strongly object to these and other features of the Proxmire bill, Mr. Larkin said, "If we can't prevail upon Mr. Proxmire to modify this bill, the American Bankers Association will have to introduce its own legislation and have it put forward by someone more kindly disposed to our industry."

"But if we do nothing, we have a good chance of having these changes rammed down our throat."

Mr. Larkin also called upon bank management to play a stronger role in all legislation and change "which modifies the social contract."

He said the attitudes of some consumer advocates, specifically Ralph Nader, are "malevolent toward the existing system."

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IOWA NEWS

ARNOLDS PARK: A charter has been granted by the Comptroller of the Currency to E. W. Maser and associates for a bank to be known as the Lakes National Bank. Capitalization will be \$300,000. Capital - \$100,000; surplus, \$100,000, and reserves, \$100,000.

Mr. Maser has maintained an office in Arnolds Park through the Sibley State Bank. An original application for a charter was denied January 26, 1971, and the current application was refiled in August.

The Iowa Banking Department has denied an application for a proposed state-chartered bank, to be known as the Okoboji Marine State Bank, and Polk County District Judge A. B. Crouch has ordered that the charter be granted. The Attorney General filed a motion for a new trial and to correct, enlarge and amend the finding. This motion was overruled by the court, and it is anticipated that the Attorney General may now file an appeal.

CRESCO: Cresco State Bank has purchased a nearby site for a possible new building. Tentative plans for construction have been set for April 1, 1972.

Ronald F. Kocher, cashier of the First National Bank, Riceville, has resigned to become cashier and director of the Cresco State Bank.

EDGEWOOD: Community Savings Bank is now in its new quarters. An open house is planned later this month.

LE MARS: Bids will be taken on the new building for the First National Bank on October 28.

VENTURA: Controlling interest of the Ventura State Bank has been sold to Earl Nelson, Iowa City, and John W. Evans, Jr., Clear Lake, by Robert H. Isensee and associates of Mason City.

Messrs. Nelson and Evans are both directors of the Community State Bank in Clear Lake. Nelson, former Clear Lake resident, is president of the Hawkeye State Bank in Iowa City and associated with the Kalona Savings Bank and the Thornton State Bank.

Mr. Evans is the owner and operator of Cashway Lumber Co. and Atlas Recreational Vehicles, Mason City; chairman of the board of the Community State Bank, and director of the board of the Hawkeye State Bank, Iowa City.

MINNESOTA NEWS

MINNEAPOLIS: David L. Tremmel will manage the London office of the Northwestern National Bank of Minneapolis. Formerly in charge of the bank's business in Europe, Mr. Tremmel will move to the new office when it opens in January.

OKLEE: Grand opening ceremonies were held October 9 in the new quarters for the Security State Bank. The bank has actually been in its new facilities since this past summer. The uni-level bank has 2,100 square feet.

WANAMINGO: K. L. Syverson has been named president of the Security State Bank. He has been serving as vice president, and he succeeds the late A. K. Syverson. Gary E. Bakko, cashier, has been named as a director.

ZUMBROTA: John A. Perra, banker from Hope, Minnesota, recently purchased controlling interest in the Farmers Security State Bank from Mrs. Harvey M. Johnson. Mr. Perra is president and cashier of the Farmers State Bank, Hope.

NEBRASKA NEWS

OMAHA: Dedication of First National Center will be held on Monday, November 29, in conjunction with the First National Bank of Omaha's 13th annual Beef Cattle Conference. The program precedes an entire week of special events, which includes the open house for the new 22-story First National office building.

OMAHA: George W. Oldaker, manager of Younker-Kilpatrick's Westroads store, has been named to the board of the First Westroads Bank. Richard A. Farber has been promoted to assistant cashier.

SOUTH DAKOTA NEWS

CANISTOTA: Joe Doblak has joined the Union National Bank as manager of the Security Insurance Agency and assistant manager of the Vermillion bank's office in Canistota.

FAITH: Farmers State Bank held a grand opening in its new bank building recently. Chartered in 1910, the new quarters are constructed on the site of the original building.

WISCONSIN NEWS

MADISON: The office of the Commissioner of Banking has announced that there will be no call for quarterly statements of condition in the third quarter, even though Federal supervisory authorities issued a call. State banks insured by FDIC and all national banks must submit reports.

Mr. Banker . . .



Harriette Allison

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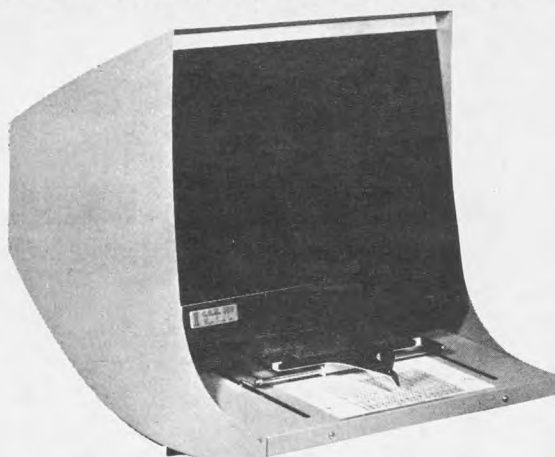
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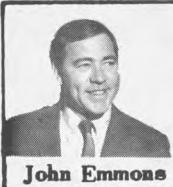
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ILLINOIS NEWS

CHICAGO: Election of 14 new officers of The First National Bank of Chicago was announced by chairman Gaylord Freeman. They are: J. Christopher Alstrin, elected a bond investment officer; William E. Bennett, elected a correspondent banking officer; Merrill O. Burns, Jr., elected a staff officer; William R. Lyman, elected an assistant manager; Napoleon Nobay, elected an assistant manager-international section; Jorge Padilla, assistant manager-international section; Robert M. Schneider, a bond investment officer; Leonard J. Seraphin, a trust officer; Gregory W. Serbe, a bond investment officer. George E. Smith, a trust officer; George H. Starman, III, a trust officer; Keith Tancock, an assistant manager, international section; Stephen Thomas, an assistant manager, international section, and David T. Vass, a trust officer.

First Chicago Corporation, parent company of The First National Bank of Chicago, plans to file an application for the listings of its common stock on the NYSE, in addition to the present listing on the Midwest Stock Exchange. A

preliminary application was filed September 20.

NAPERVILLE: Darrell C. Overcash has joined the First Ogden Corporation as an accountant, according to Vernon S. Hoesch.

View 1972 Business Prospects

"The nation's 'long awaited economic boom' will develop in the first half of 1972." This is the prediction made by Leon B. Gould, economist for the Franklin National Bank, New York. He believes that the real output will expand at a 6% annual rate, "rapid enough to get the jobless rate down to about 5% and boost pre-tax corporate profits by 20% over 1971."

But he warned, "prospects for permanently curtailing inflation are not optimistic. Although temporary gains against inflation may show up due to distortions in the various price indices as a result of the wage-price freeze, the long run problem will remain." Mr. Gould described the situations as seeking to fight inflation with controls and advance economic activity with easy money and whopping Federal budget deficits.

"Controls may temporarily eliminate some of the excesses of cost-push inflation resulting from large wage increases and they may also lower 'inflationary expectations' for a time. But, controls will not solve the long-run problem of inflation; only Government self-discipline can do that."

Nevertheless, Mr. Gould felt the "dramatic new economic proposals" announced by President Nixon August 15th will further spur economic recovery this year. He forecast a gross national product rise of 8.1% to \$1,053 trillion with pre-tax profits growing about 13% over 1970. However, he pointed out that the increase in GNP and profits "will look stronger partly because of downtown revisions of last year's results." Joblessness will average close to 6% for the year, he said, but should begin to drop during the fourth quarter.

The outlook for interest rates also depends upon the policies of the Federal Reserve and the Government. The Fed has three policy choices, Mr. Gould said. It can continue to expand the money supply at a 12% annual rate; it can sharply reduce the growth rate of the money supply to 2%-3% for the rest of the year; or the Fed can take a position between those two extremes.

The third alternative appears to be the most likely, Mr. Gould pointed out. The first choice would temporarily keep interest rates low, but inflation would get worse as controls crumble. The second alternative would result in a sharp rise in short-term rates and reduced economic activity with rising unemployment. This would be politically unacceptable, despite the fact that such a policy would reduce long-term interest rates.

The third and most likely alternative would entail a growth rate for the money supply of about 6% for the balance of the year. "Such a policy would result in a gradual rise in short-term rates, but it would also place upward pressures on long-term rates as the resultant economic boom reflects increased credit demands and an eventual worsening of inflation.

The banks may be caught in the middle of the boom and inflation, Mr. Gould suggested. The Administration has asked lending institutions to "voluntarily" hold down interest rates charged on loans.



Larry Welch

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COLORADO NEWS

GREELEY: U. S. Supreme Court Justice Byron R. White has granted a stay of a U.S. District Court order dismissing a Justice Department suit to block acquisition of the \$40.8 million-deposit First National Bank, Greeley, Colo., by \$589.6 million-deposit First National Bancorp., Denver.

The Justice Department Sept. 24 filed a notice of appeal in the case, marking the first time Justice has decided to try to bring a potential competition case involving commercial banking to the Supreme Court.

The Greeley case was the fifth consecutive defeat for Justice at the district court level in its campaign to establish in commercial banking the principle that affiliation between potential competitors is a violation of the antitrust laws. The department did not try to appeal any of the previous four decisions.

Mrs. Ruth D. Harrison Heads Bank Women

Ruth D. Harrison, assistant vice president and director of advertising and

public relations with the Irwin Union Bank & Trust Company in Columbus, Indiana, has been elected president of the National Association of Bank Women. She succeeds Mrs. Ruth D. Bryant, assistant vice president, Memphis branch, Federal Reserve Bank of Saint Louis.

New Regional vice presidents include Mrs. Lois A. Morlock, executive vice president, First National Bank, Bowling Green, Ohio (Lakes Region); Miss LeVetta Hosler, executive vice president, Fullerton National Bank, Fullerton, Nebraska (Midwest Region); Miss Marjorie A. Terhaar, assistant manager, Northwestern National Bank, Minneapolis (North Central Region), and Mrs. Theo F. Bartschi, executive vice president, First State Bank, Shelby, Montana. Mrs. Betty Steele, vice president and secretary, Brenton Banks, Inc., Des Moines, is the new NABW treasurer.

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