

NORTHWESTERN Banker Newsletter

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Plan First Area Check Clearing Center

Robert P. Mayo, president of the Federal Reserve Bank of Chicago, has announced plans for the establishment of a Chicago Regional Check Processing Center to provide faster collection of checks drawn on 267 Illinois banks and 13 Indiana banks. These banks are located in Cook (outside Chicago), Du Page, Grundy, Kane, Kankakee, Kendall, Lake, Mc Henry and Will counties in Illinois, and Lake County, Indiana.

The Federal Reserve Bank of Chicago is working with banks in other areas in the Midwest to achieve accelerated check clearing and settlement of balances. Plans are well advanced to establish a regional check processing center in Des Moines, and similar proposals are under consideration for other areas.

Discussions have been held with banks in western Iowa, and it is possible that a dozen or more western Iowa counties will clear through the Omaha branch of the Federal Reserve Bank of Kansas City. It is also possible that a clearing center might be established in Sioux Falls through the Federal Reserve Bank of Minneapolis, and this center would clear items from northwest Iowa, parts of Minnesota and South Dakota. No decision has been made on eastern Iowa.

A number of executives in Chicago loop banks feel that the Chicago Fed is overly-vigorous in following directives of the Board of Governors, particularly in the area of establishing clearing centers. The NORTHWESTERN BANKER has

been informed that no other Fed District has spent as much time and energy in this effort.



Robert P. Mayo

The checks presented to the banks in the defined area by the Chicago Regional Check Processing Center will have been received from member and non-member banks located in the 10-county area and from any member bank in the Seventh Federal Reserve district, from direct sending member banks in other Federal Reserve districts, from other Federal Reserve offices and facilities and from U.S. Government agencies.

Mr. Mayo said the expansion of the immediate payment area would affect the check collection system in a number of ways:

1. Presentment of items to the 280 banks participating in the new arrangement would be speeded up with benefits of the faster

check collection and payments system flowing to the public and the banking system. Dishonored items drawn on banks served by the center will be returned more quickly. Social costs arising from check frauds, "no funds" checks and check "Kiting" losses will be reduced.

2. Banks located in the 10-county area adjacent to Chicago, as well as other eligible depositors, will receive 1-day credit for all fully qualified checks drawn on banks in the 10-county area which are deposited in a separate cash letter. Credit will be given to the Reserve account of a Federal Reserve member bank.
3. All banks associated with the check processing center will pay for checks on day of presentment in immediately available funds. Non-member banks will pay for cash letters by a direct charge to the Reserve account of a Federal Reserve member bank.
4. Banks in the area will be able to deposit regional items later in the day and still receive next day payment.
5. Two-day deferment schedules by other Federal Reserve offices for checks drawn on banks located in the area served by the Center will become realistic and "float" will be reduced.

(Continued on back page)

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IOWA NEWS

CORYDON: Bert B. Millis of Des Moines has transferred control of the Citizens State Bank to a group headed by Daryl F. Hamann, Omaha attorney. Mr. Hamann will be president. Roger Payne continues as executive vice president.

DES MOINES: Robert D. Dixon, president, Rolfe State Bank, and state director of the Independent Bankers Association, has called a meeting of independent bankers for Thursday, December 16, at 10 A.M. at the Des Moines Room of Hotel Savery for the purpose of forming an Iowa Chapter of the IBA.

FORT DODGE: Richard L. Smith, executive vice president of the State Bank, Fort Dodge, will become president of the bank on Jan. 12, succeeding James H. Redman, who has elected to take early retirement. Mr. Redman served as president of the Iowa Bankers Association in 1970-71. Mr. Smith was with Central National Bank and Trust Company, Des Moines, before joining the Fort Dodge bank last year.

HAYESVILLE: Funeral Services were held last week for Mrs. Elmer Mertz, wife



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of the pres. of the Hayesville Savings Bk. **MANNING:** The Manning Trust and Savings Bank has named R. E. Squires as executive vice president. He was formerly with Spencer National Bank.

OSAGE: Mickey Lewis has been named vice president of the First State Bank, Fredericksburg. He was formerly cashier of Home Trust and Savings Bank, Osage.

MONTANA NEWS

MALTA: The First Security Bank's application to become a member of the Federal Reserve System has been received.

Delay Secondary Market for Student Loans

The provision in the Higher Education Act amendments to set up a secondary market in student loans is caught in a Senate-House battle on other segments of the bill.

The result: consideration of the proposed Student Loan Marketing Association has been put off until at least late in January.

The Senate approved SLMA in August. The House approved it early in November with some changes. But the real controversy is over House changes in other Education Act amendments.

MINNESOTA NEWS

AITKIN: Minnie Hassman Cummings, 67, president of the First National Bank died recently in Minneapolis.

FREEBORN: Benjamin A. Miller, 59, president of the State Bank was killed recently when his single-engine plane crashed during a dense fog.

GLENCOE: Funeral services were held recently for Frank J. Heaney, 83, retired

vice president of the Security State Bank. He retired in 1967 after serving the bank as an officer and director since 1935. From 1935 to 1961, he was cashier, and moved up to vice president in 1961.

HUTCHINSON: Affiliation of the First National Bank with Mid America Bancorporation, Inc., has been approved by the Federal Reserve Board.

NEW ULM: Ronald Reinhart, cashier of the State Bank and Trust Company has resigned to accept a job as manager of the Liberia Manufacturing Company in Spencer, Wisconsin. He has been with the bank for nine years.

ST. JAMES: Fred Engelbrecht and Tore Olsen retired recently from their directorships of the First National Bank. Mr. Engelbrecht has been on the board 39 years and Mr. Olsen, 22 years.

ST. PAUL: Robert D. Brown has been promoted to vice president of Summit National Bank. He was formerly an official of the First National Bank of Wayzata.

NEBRASKA NEWS

BEATRICE: S. E. Copple and J. E. Gillette of Lincoln, Neb., have purchased controlling interest in the Beatrice State Bank from W. W. Cook, Sr.

BELLEVUE: Gary F. Friedenbach was recently elected cashier of the First National Bank. Mr. Friedenbach was formerly with the Southwest Bank of Omaha.

NORTH PLATTE: Gladys H. Buck, assistant cashier of the McDonald State Bank, died recently of apparently natural causes. She had been with the bank for more than 30 years.



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ILLINOIS NEWS

CARBONDALE: The Bank of Carbon-dale's application to establish facilities has been approved by the FDIC.

CHICAGO: The FDIC has approved an application by the North Community State Bank for insurance. Marvin Schneider is president of the bank which has \$1,250,000 in capital accounts..

CHICAGO: Application by the Harris Bankcorp, Inc., for prior approval to acquire 100 per cent of the voting shares, (less directors' qualifying shares), of the successor by merger to Harris Trust and Savings Bank of Chicago, has been received by the Federal Reserve System.

CHICAGO: The First Commercial Bank has established a facility at 6936 North Clark Street.

ZION: A state charter has been issued for organization of the Bank of Zion at 33rd Street and Sheridan Road. Capitalization is \$750,000. Wm. F. O'Meara, Jr. is president.

WYOMING NEWS

LANDER: Robert W. Pappenheim, former vice president of finance for the Ceres Land Co. of Sterling, Colo., has been named first vice president of the First National Bank of Lander.

From 1964 to 1970 he was associated with the First National Bank of Greeley, Colo., serving as assistant cashier, fieldman and chief appraiser in their agricultural department, commercial loan officer and, ultimately, as vice president.

LANDER: Floyd Harmon has announced his resignation as executive vice president and a director of the First National Bank of Lander effective Dec. 1.

Mr. Harmon joined the staff of the



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Bank in September of 1961 as cashier, a position he held until May of 1964, when he left to become associated with the National Bank of Newcastle. In November of 1967, he returned to the Lander Bank as executive vice president and became a director in January, 1968.

NORTH DAKOTA NEWS

BISMARCK: James H. Kelly has been named exec. v.p. of The Bank of North Dakota. He joined the bank in Feb., 1971, and serves as manager of the loan department and supervisor for state trust funds. He was previously exec. v.p. of the American St. Bk., Dickinson.

Three men have been named v.p.'s. They are: Charles F. Campbell, Ernest W. Pederson, and Martin E. Stenehjem. Mrs. Gail Vetter has been named a loan officer.

CASSELTON: Richard T. Carley, pres., Casselton St. Bk., has been elected pres. of the North Dakota State Development Credit Corp.

NATIONAL NEWS

NEW YORK: Don Jackson, vice president in the national division of Irving Trust Company, is recuperating well at home following lung surgery at Roosevelt Hospital in New York City. Mr. Jackson is expected to be at home at 15

Old Hills Lane, Port Washington, N. Y. 11050, for the balance of December. He plans to return to the bank right after the New Year. Just prior to his hospitalization, Mr. Jackson was transferred from the western division, where he was well-known to bankers in Nebraska, South Dakota, North Dakota and the Mountain States, and was assigned to a new administrative marketing post in the national division.

SOUTH DAKOTA NEWS

HAYTI: Terry Kangas was recently elected to assistant vice president at the Security Bank. He was formerly the agricultural supervisor at the bank.

SIOUX FALLS: Union Bank and Trust has appointed Rex C. Bahnson as marketing officer, according to bank president John Vacurevich.

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CLEARING CENTER... (Continued from Page 1)

- The number of times checks are handled will be reduced.
- Correspondent banks and service bureaus providing demand deposit accounting service may need to adjust processing schedules to accommodate closing hours established by the Center for the receipt of checks.

The Center will process checks overnight, deliver them to the participating banks by 9:00 a.m. the next morning, collect payment upon presentment and credit the proceeds to the depositing banks. (Overnight collection is available now in Chicago through the Chicago Clearing House Association).

The Chicago Regional Check Processing Center is scheduled to be in operation early in 1972, Mr. Mayo said, but is being announced now so that detailed planning may proceed with banks in the area. Several months of study by the Federal Reserve Bank of Chicago and banks associated with the Chicago Clearing House Association have preceded the announcement. Details of the new arrangements will be discussed with officials representing all banks in the 10-county area adjacent to Chicago at a series of meetings during the week of December 13.

Suggest Banks Follow Dividend Guidelines

The Comptroller of the Currency, the FDIC and the presidents of the Federal Reserve banks have sent identical letters to banks under their supervision

saying that while most of the nation's banks aren't specifically covered by the Phase II guidelines asking that the per-share increase in dividends in 1972 be held to four percent, "it is highly desirable... that all banks adhere to the spirit of the guidelines."

Colorado Bank Closed; Report \$800,000 Loss

The First National Bank, Cripple Creek, Colorado, has been declared insolvent and closed by the Comptroller of the Currency.

The bank, with reported deposits of \$1.2 million, served a community of some 600 persons. All but \$5,000 of its deposits were fully covered by insurance. The Federal Deposit Insurance Corporation was named receiver of the bank and was expected to begin pay-outs to depositors within a matter of days.

Cause of the failure, according to Comptroller William B. Camp, was a misapplication of funds amounting to approximately \$800,000. The bank's vice-president and its cashier were found dead last April under circumstances that lead authorities to suspect a double suicide. The missing money remains unrecovered.

The closing of the bank represented the first national bank failure in 16 months.

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