

NORTHWESTERN Banker Newsletter

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Predicts Long-Range Correspondent Benefits

Despite the immediate challenges to the correspondent banking system created by the recent alterations in the methods of clearing and collecting checks, over the long run many city correspondent banks will probably benefit from the changes.

This is the conclusion drawn by Dr. Robert E. Knight, research officer and economist for the Federal Reserve Bank of Kansas City. Here are his comments:

Traditionally most smaller banks have collected checks drawn on banks located outside their immediate trade area by sending the checks to city correspondents. Knight finds that the balances smaller banks maintain with correspondents to compensate for transit services account for 30-40 per cent of total correspondent balances. If smaller banks were to send these transit checks directly to the Federal Reserve or to Regional Check Processing Centers (RCPC's) for collection, correspondent banks could anticipate the loss of much of these balances.

Two recent changes in check clearing arrangements could lead to a sharp reduction in interbank deposits. These include the November modification in Federal Reserve Regulation J, which now requires same day payment of checks presented by the Fed, and the development of RCPC's in many metropolitan areas.

The long-run effect of the Regulation J change on correspondent balances should not be great, Knight indicates.

After transitional difficulties have been resolved, correspondent banks are likely to find that balances due to other banks average somewhat less than initially because the uncollected portion of those balances will have been reduced. A large reduction in collected balances due small banks is unlikely. As long as smaller banks continue to send transit checks to correspondents, they will be required to maintain collected balances near present levels.

Under the recent change in Regulation J, banks in Federal Reserve cities have generally benefited because they are able to collect checks drawn on country banks in the same Federal Reserve zone a day sooner than was previously possible. Country banks have experienced reductions in loanable funds. These banks receive earlier credit for only a portion of their outgoing checks, but have been asked to pay for all incoming checks a day sooner. The effect, therefore, is to transfer funds from country to Federal Reserve city banks. Despite this loss, Mr. Knight maintains that account analysis procedures will require country banks clearing checks through correspondents to maintain collected balances near former levels.

A more serious challenge to the correspondent banking system exists in the development of RCPC's. These clearing centers frequently allow smaller banks to bypass correspondents in the collection of checks. While relatively few centers are operating on a large scale,



PICTURE OF THE WEEK — All-Pro Minnesota Viking Center Mick Tingelhoff proved to be a popular guy recently when he appeared at the First American National Bank of Duluth. Mick visited at the bank throughout the afternoon signing autographs, visiting with bank personnel and meeting the general public in the lobby. Here a group of Duluth youngsters flock to receive autographed pictures of the former all-pro.

about three dozen are scheduled to open or expand. Although it may be too early to gauge the lasting impact of RCPC's on correspondent banking, preliminary results indicate the effects have been mixed.

Some correspondent banks have experienced hardly any adverse effects, while deposit losses at others have been substantial. Where losses have occurred, the largest share has often been a drop in uncollected funds, which has been offset with a reduction in cash items in process of collection. Losses of collected balances due other banks participating in regional clearing arrangements have

(Turn to back page, please)




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IOWA NEWS

AMES: The First Nat'l. has announced two staff changes: Joseph C. Picken, Jr., was promoted from v.p. to sr. v.p., and Larry D. Curran was named auditor in addition to the a.c. title which he has held.

CEDAR RAPIDS: George A. Chmelicek has been elected exec. v.p. and Dennis Hrabak has been elected cash. of the United State Bk.

CENTRAL CITY: Richard J. Mettler has been promoted from a.c. to cash., and Steven Maurice has been appointed a.c. at the City State.

CHELSEA: Officer changes made at the recent annual meeting of Chelsea Savings are: M. C. Erusha, from pres. to chmn.; his son, Don, succeeds him as pres.; Richard D. Johnson, from v.p. to exec. v.p.; Robert C. Erusha of Walford to v.p., and John P. Cunningham, cash., also named tr. off.

DUBUQUE: American T&S directors approved these top management changes at the annual meeting: Nick Schrup, from pres. to chmn.; Christy Armstrong, from exec. v.p. to pres., and Dan Ernst, from chmn. of bd. to chmn. of exec. comm. Also, John McDonald, chmn. of A. Y.

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McDonald Mfg. Co., Dubuque, was elected a director.

ELGIN: The following changes have been made at the Elgin State: W. F. Kohler elected sr. v.p. and named advisory dir. to the board; Mary Ann Schaeer promoted to cash.; Paul Crandall, promoted to a.v.p.; Cheryl Shipton elected a.c. and Catherine T. Britt elected director.

GIBSON: Louie L. Arendt, pres., Gibson Savings, has announced that he is semi-retiring. Larry L. Arendt was elected exec. v.p. and Don Arendt was elected v.p. & cash.

HUBBARD: James Willmore has been promoted to exec. v.p. from v.p. of the Security State. Sharon Kissinger was promoted to cash. from a.c. and Bernadette Kuhfus to a.c.

REMSEN: Dewey Grant was elected v.p. & tr. off. of the First T & S by the board of directors.

ROCK RAPIDS: The Rock Rapids State has announced the following staff changes: Ray A. Nold, pres. since 1940, was named chmn. and exec. v.p., and Stanley G. Smith was named pres.

SPENCER: Fred A. Guggenmos was advanced from v.p. to pres. at Spencer Nat'l., succeeding Walter E. Kriens, who continues as chmn. Mr. Guggenmos has been with the bank two years. Other promotions were: David W. Cuttell, from a.v.p. to v.p.; Paul H. Albrecht, a.v.p., also named cash., assuming those duties held by Steven Tyrrell, now v.p.-installment loans; Florence D. Johnson, from

a.c. to comptr., and Beverly Wilson, elected a.c.

SPIRIT LAKE: C. W. Wetzeler, exec. v.p. & cash., was elected pres. of The State Bank. J. W. Rohlfesen was named a.v.p. and Wilma Roberts was named cash.

WAYLAND: James R. Troutman has been elected cash. of the Wayland State, replacing J. Laurence Henss, who continues as exec. v.p. Lois Nebel was elected a.c.

NEBRASKA NEWS

Irrigation and livestock expansion, the problems of financing, environmental changes and other topics are scheduled for the 1973 NBA Agricultural Conference to be held at the Holiday Inn, Kearney, on February 6-7. Charles Athey, v.p., First Nat'l, Columbus, is chmn. of the agriculture committee.

BUSHNELL: Jim Prince has been promoted from v.p. to exec. v.p. & cash. at the Kimball County Bank.

COZAD: Dwight Stubbs joined the 1st B & T as v.p. and dir. He was with the Farmers State, Lexington.

DAVID CITY: James L. Howe was promoted from a.v.p. to v.p. and Edward A. Meysenburg was promoted to a.c. at the First Nat'l. of David City.

FREMONT: John R. Young, Jr., was promoted to sr. v.p. and dir. and Gary L. Bernhardt was elevated to a.v.p. at the First Nat'l. B & T.

KIMBALL: Jerry Andersen, v.p., has been advanced to sr. v.p. and elected a dir. of the First State; Conrad Flohr has been promoted from a.v.p. to v.p. & auditor, and Terry Wiens of Oklahoma City has joined the trust department.

LEXINGTON: Lloyd A. Bacon, pres., Farmers State, will retire on February 1, but will remain an active board member. Roy Dinsdale was elected chmn.; James A. Hansen was elected exec. v.p. and dir., and Dale E. Pohlmann has joined the bank as a v.p.

OMAHA: J. M. Hart, Jr., pres., North Side Bank, has announced two promotions: Lyle L. Raasch to v.p., and Ronald L. Hiatt from a.c. to a.v.p.



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MINNESOTA NEWS

DETROIT LAKES: Four promotions have been made at the Detroit State Bk.: Bruce Barrett, from cash. to v.p.; Dorothy Houghton, a.c. to a.v.p.; Neil Toso, a.c. to cash., and Keith Brekken, installment loan off. also is a.c.

FARIBAULT: Robert Trench was promoted from a.v.p. to v.p. of the State Bank.

GRAND MARAIS: Harold Benson was elected director of the Grand Marais State Bk. The following officers were appointed: R. I. Anderson, pres. & cash.; N. L. Schroeder, exec. v.p.

NEW BRIGHTON: Henry Stahlmann was elected pres. and Edward Kristyniak was elected cash. of the First State Bk.

NEW ULM: John Campe, exec. v.p. & cash. of Klossner State, was elected a board member.

ROCHESTER: Anne Marie Plunkett, wife of Rochester State Bk. pres., was named to the bank's board of directors.

ST. PAUL: Dean R. Tollefson has been elected pres. and dir., and Arthur W. Melander has been elected chmn. & chief exec. off. of the First Merchants State Bk.

TRUMAN: B. J. Dallman and his wife, Lillian and E. A. Fenrick have sold controlling interest in Peoples State of Truman to Perry M. Hinton and Donald Huemoeller. Pres. Fenrick will remain with the bank.

WILLMAR: William Schindele has been appointed cash. of Citizens Nat'l.

ILLINOIS NEWS

ARLINGTON HEIGHTS: Earl T. Barker has been promoted to v.p. & cash., and Karen L. Grandt to a.c. at the North Point State.

EVANSTON: Thomas B. Ryan was promoted to v.p., commercial loans, at the First Nat'l. Ruth G. Steffen promoted to a.v.p. & mgr. of drive-in/walk-in. Elected to a.t.o. were Edith S. Rowell and Alan H. Shippee. John A. Williams was elected asst. inv. off. and Wade R. Prosser was named a.c.



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plans to construct a 7-story bank and office building in the downtown area. The proposed building will occupy a square block bounded by Ann Eliza and Margaret Streets and 5th and 6th Streets.

SOUTH CHICAGO HEIGHTS: John C. Hackett was appointed pres. and board member of the American Savings.

SOUTH HOLLAND: A permit to organize has been issued for the Thornridge State Bank. Capitalization, \$1 million. Organizers: John Conroy, William G. McCarthy, South Holland; Louis C. Din-eff, Argo; Gerald W. Getty, L. Michael Getty, William Francis O'Brien, Dolton; Merlin Karlock, Momence; Samuel C. Maragos, A. Thomas Munizzo, Chicago, Jack W. Walker, Lansing.

ST. CHARLES: An application for a permit to organize has been filed proposing the Pottawatomie B & T. Applicants: Roy Safanda, Eugene Ruark, Richard Brashler, Geneva; Donald Dowling, Francis Dunn, Jr., M.D., St. Charles; and James Wood, River Forest.

NORTH DAKOTA NEWS

BISMARCK: E. F. Spencer, v.p., First Nat'l. of Bismarck, has retired.

MINOT: T. A. Solheim, president, American State Bank, has announced these promotions: Virgil Frost, assistant vice president, named to head the industrial loan department; Alvin Dietz to vice president and trust officer; Noel Hanson from assistant cashier to assistant vice

president in the trust department, and Dale Mattern, auditor, to assistant cashier and auditor.

SOUTH DAKOTA NEWS

ABERDEEN: Gary L. Svihovec was promoted to pres. and chief exec. of the Farmers & Merchants B&T. Other promotions include: Duane Podoll, to v.p. & tr. off., Jack Sanders to v.p., and Jerald Zubke to v.p.

MOBRIDGE: Kenneth R. Zandstra, sr. v.p. & cash., has been promoted to exec. v.p. & cash., and Norma Milbrandt, loan file supervisor, to a.c. at the Citizens Bank of Mobridge.

RAPID CITY: Ed L. Anderson has been elected vice president and ag rep for the First National Bank of the Black Hills, according to President Charles T. Undlin. Mr. Anderson has been ag rep for the main bank and the 10 branch offices since joining the bank in January, 1963.

COLORADO NEWS

DENVER: Piper, Jaffray & Hopwood Inc., Minneapolis-based brokerage firm, announced it will expand its service into Colorado with the opening of an office in Denver today, January 29. Roland F. Biegler, Jr., will manage the full service Piper Jaffray office in the Lincoln Center. He formerly was with the Denver office of Bache & Company.

LYONS: Controlling interest in the Centennial State has been purchased by Joel

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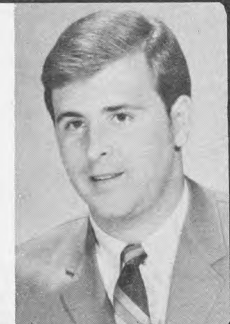
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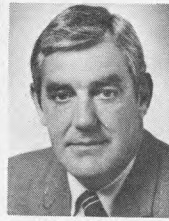
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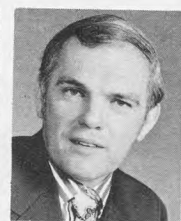
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COMMERCE BANK of Kansas City

H. Wiens of Kimball, Nebr. He will serve as chmn., while Harold Syas will serve as pres. Phil Harsh, Lincoln, Nebr., joined the bank as installment loan off. & mgr. of insurance department.

WYOMING NEWS

CASPER: The 19th annual Wyoming bankers credit conference will be held on February 22-23. Headquarters will be the Ramada Inn. Registration will start Thursday at 5:30 P.M., followed by a social hour and dinner. The formal session will start Friday at 9:00 A.M.

GILLETTE: Stockmen's Bank has increased surplus to \$1,500,000.

SHERIDAN: Donal C. Brayton has been elected senior v.p. by the Bank of Commerce. John B. Destefano and James E. Dowling were made v.p.'s. Roman Skatula is now asst. v.p. and secretary. Thomas Christensen was made installment loan officer.

LONG-RANGE BENEFITS...

(Continued from Page 1)

sometimes been offset by quicker collection of items drawn on these banks or by soliciting the correspondent business of banks not served by the clearing center which desire quicker collection.

Nevertheless, most correspondent banks directly affected by RCPC's have lost both collected and uncollected balances. These losses may generalize as RCPC's expand and accept checks from all participating banks on relatively liberal terms.

The study finds, though, that the degree to which banks bypass correspondents has often depended on the attitude of the correspondents. Correspondents which have actively solicited the transit work of smaller banks have usually met with some success. In addition, some banks sidestep sorting and encoding requirements and gain time advantages by sending to correspondents.

In the long run those correspondent banks which have played an active role in the changing payments system and in the provision of data processing services will be in an ideal position to capitalize on their experience and relationships. If the electronic payments system evolves, as some envision, with remote terminals scattered at numerous locations, correspondent banks can provide a natural link to the system for many smaller banks.

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