

NORTHWESTERN Banker Newsletter

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April 2, 1973

Government Suggests Dual Prime Rate

While many of the nation's larger banks were making various adjustments on the prime rate front, the Committee on Interest and Dividends announced plans to discuss a suggested dual prime rate with the banking fraternity.

Arthur F. Burns, Federal Reserve Board chairman, acting in his role as Committee chairman, has endorsed the objective of the dual prime rate which would moderate the interest costs to small businesses. Rates on business loans to large corporations "might be left to the market."

Following the initial announcement on March 19 by at least eight major banks of an increase in the prime rate from $6\frac{1}{4}$ to $6\frac{3}{4}$, Chairman Burns said that "an increase as large as one-half point was not justified. He voiced special concern for small businesses, farmers, home buyers and consumers. At this point, the lead banks were rolling back the increases to $6\frac{1}{2}$ percent. Others that had not taken any previous action, including Bank of America, were advancing their rates to $6\frac{1}{2}$ percent.

Most bankers attending the Independent Bankers Convention were alarmed by the announced rate increases. They also questioned a "dual prime rate," reasoning that if large corporations were charged a higher rate the costs would be passed along to the small businessman, farmer and consumer in one form or another.

William H. Moore, chairman, Bankers Trust Company, New York, made the following comments, defending the action

by the larger banks in proposing a $6\frac{3}{4}$ rate:

"An increase in the prime rate to $6\frac{3}{4}$ percent is more than justified" if interest rates are to be a weapon in the fight against inflation and in attracting dollars back from overseas. "If our formula—which tied our Current Lending Rate to market rates—were still in effect, the prime rate today would be $7\frac{1}{2}$ percent. Under the formula, our prime rate would have reached the $6\frac{3}{4}$ percent level on February 6, some seven weeks ago," Mr. Moore said.

Noting government concern that rising business loan rates would eventually effect consumer lending, the chairman of Bankers Trust Company said his bank will continue to provide credit to the consumer without interruption," and added: "Also, we will make every effort to maintain interest rates charged to consumers at their current levels."

Mr. Moore said the lack of balance between commercial paper rates and short term bank lending rates was causing commercial paper users to "flock into the banks and borrow at the cheaper bank rate." He noted that from January 17 through March 7 dealer commercial paper declined by more than \$2.3 billion, while business loans at the largest New York banks jumped sharply.

He said that a prime rate advance "would help to alleviate some of the problems by producing a swing back into the commercial paper market. If that happens, money market banks will not



PICTURE OF THE WEEK—Grand opening of the new Auto Bank at the First National Bank of Minneapolis' St. Anthony Falls Office featured the official cutting of a "ribbon" fashioned of dollar bills. Pictured, left to right: Joan Nalezny, St. Anthony Office; Jerome S. Yugend, First Minneapolis Vice President and Senior Trust Marketing Officer, and President of the Aquatennial; Aquatennial Queen of the Lakes, Patricia Kelzer; George H. Dixon, First Minneapolis' Chairman and President; Stanton M. Jorgens, St. Anthony's Vice President and Manager.

have to bid as aggressively for marginal funds as we have in the past several weeks."

Mr. Moore called on the government to help keep commercial paper borrowers in that market. "Since jawboning is the control mechanism of the moment, it would make sense to me that there be some jawboning directed toward commercial paper borrowers, urging them to continue to use that market during these critical times to help avoid the possibility of a bank credit crunch."

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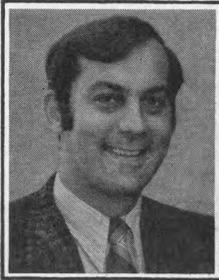


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IOWA NEWS

The 1973 annual Agricultural Credit Conference sponsored by the Iowa Bankers Association, through its agricultural committee and the Extension Service at Iowa State University, will be held Wednesday and Thursday, April 18-19. All sessions will be held in the Memorial Union on the University campus at Ames. The program has been announced by W. D. Willer, chairman, agricultural committee, IBA, and H. B. Howell, Extension economist, Iowa State. Topics to be discussed include: opportunities in agricultural financing, loan participation and guarantees, commodity trading, beef production, grain shipping developments, agriculture and foreign trade, the current livestock situation and new technology and research.

ADEL: Ronald D. Larson has accepted the position of manager of the Waukee office of Brenton State Bank. He replaces David L. Morris who is moving to the Brenton Bank in Urbandale on May 1.

CEDAR RAPIDS: The Comptroller of the Currency has approved the application of The Merchants National Bank of Cedar Rapids for permission to establish an office in the vicinity of the junction of Highways 220 and 149 in Amana.

CHARLES CITY: The Citizens National

Bank of Charles City has filed an application requesting permission to relocate its head office from 208 N. Main to 122 Cedar Mall Shopping Center.

GRUNDY CENTER: Larry L. Lewis has joined the Grundy National Bank as an officer trainee, according to Arnold Schultz, bank president.

LEON: The Decatur County State Bank has announced the appointment of Terry Collins as vice president. He was formerly with Bethany Trust Co. in Bethany, Mo.

POCAHONTAS: John J. Gordon, president of the Pocahontas State Bank, has announced his retirement from the bank and the board of directors. He and Willis F. Rich, chairman of the board, who has resigned, have sold their interests to Robert G. Lorge.

Mr. Lorge was elected president, George T. McCartan, Jr., was promoted from assistant cashier to vice president. Mr. Lorge was the vice president of United Home Bank and Trust in Mason City. Both men were appointed to the board of directors to fill the vacancies of Mr. Gordon and Mr. Rich.

NEBRASKA NEWS

Nebraska bankers will get details of the most recent business, agricultural and financial developments and economic policy during a series of six economic forums planned for the state in April. The Federal Reserve Bank of Kansas City will present the forums in cooperation with the Nebraska Bankers Association.

Three economists from the Reserve Bank will discuss the regional, national and international situations at meetings in Omaha, April 17; Lincoln, April 18; Grand Island, April 19; Norfolk, April 24; North Platte, April 25, and Scotts-

bluff, April 26. The speakers will be Thomas E. Davis and Sheldon W. Stahl, vice presidents, and C. Edward Harshbarger, agricultural economist. Robert D. Hamilton, vice president in charge of the Fed's Omaha branch, will be forum chairman. A representative of the NBA will speak at each session.

HASTINGS: Dennis White has been promoted to assistant vice president of the First National Bank, according to Norman Nackerud, president. He previously was mortgage loan officer.

MINDEN: A hearing on the Exchange National Bank's charter application for the Minden Exchange Bank and Trust Company will be held May 22 at 9:30 a.m. at the Department of Banking in Lincoln.

OMAHA: Dr. Lawrence Royce James has been named a director of the North-Side Bank. He is associate professor of radiology and an executive committee member at the University of Nebraska College of Medicine.

TEKAMAH: Joe Roh, Jr., former county agent, has been elected assistant vice president at the First National Bank. Tom Miller has been advanced to assistant vice president.

ILLINOIS NEWS

Group One (Chicago District) of the Illinois Bankers Association opposed the resolution against branching by a vote of 45 to 3 at its annual meeting last week. Group Three, which met at Oakbrook two weeks ago, also voted against the resolution (by a vote of 31 to 21).

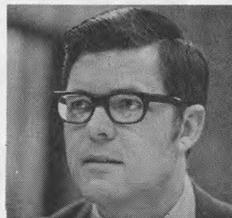
With the exception of Group Four, eight other groups in the state have voted in favor of the resolution against branching. Group Four will meet April 4 at Emerald Hills Country Club east of Sterling.

BOLINGBROOK: Joseph J. Martin has been elected vice president/controller of the Heritage Bank. He was active in the bank's organization and in March, 1972, was elected cashier.

CHICAGO: Elmhurst National Bank has appointed Jules V. Meyering, Jr., trust officer, according to Donald M. Carlson, bank president.

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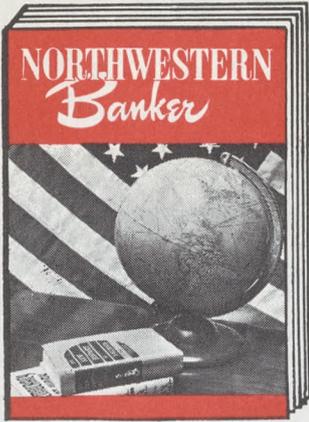


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MORRISON: Robert L. Olson was elected president and director of the Whiteside County Bank. He joined the bank in 1966 and had been serving as vice president and cashier.

MINNESOTA NEWS

A workshop on real estate lending, consumer lending and lending laws and regulations will be featured on the Minnesota Bankers Association (MBA) 11th annual Lending Conference program. The conference will be held Tuesday and Wednesday, April 3-4, at the Leamington Hotel, Minneapolis, according to MBA President John F. Nash.

The conference is sponsored by the MBA commercial and consumer lending committee, chaired by P. J. Canton, president, American State Bank, Moorhead.

LAKE CITY: Robert Grathwohl, 34, has been appointed to the staff of the Lake City State Bank. He comes from Mason City, Ia., where he was assistant cashier and auditor with the United Home Bank and Trust Co. for the past three years.

MINNEAPOLIS: Two staff additions have been announced by C. Bernard Jacobs, chairman of the National City Bank of Minneapolis. Robert M. Cross has joined the bank as assistant vice president, commercial loan department. He most recently was commercial lending officer for Southern California First National Bank of San Diego. Peter C. Switenki, Jr., has joined the bank as an investment officer.

OWATONNA: Ron Dafeo has been appointed installment loan officer at the Security Bank and Trust Company.

SHAKOPEE: Two requests for bank charters in the city have been filed and a hearing has been scheduled for April 16 to determine if either or both of the charters should be granted. The proposed banks are: Wester Fidelity State Bank, filed for by James E. Frady and Cletus J. Link, both of Shakopee, and Charles H. Cornell, Jr., Minneapolis and Arthur F. Rossberg, Minnetonka; Citizens State Bank filed for by William C. Norris and Norbert R. Berg, St. Paul, Dr. James Fox, Edina and Roger A. Peterson, Minneapolis.

ST. PAUL: John A. Ritt has been elected executive vice president of the Midway National Bank. He joined the bank in 1963.

WORTHINGTON: Alvin Kooiman, formerly administrative assistant of the First National Bank in Worthington, has been promoted to the post of assistant cashier, according to Harry N. Dirks, bank president.

NORTH DAKOTA NEWS

Before closing their 1973 session, the North Dakota legislature passed a new banking facility law and sent it to Governor Arthur A. Link. The Governor has until approximately today to sign or reject the bill, although it was thought he would sign the bill. It provides that North Dakota banks may operate one detached teller facility for limited services (no loans) within the city limits or within three miles of the city, but may not be in

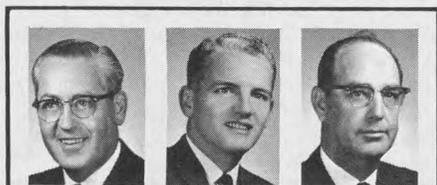
an adjacent town where banking facilities are offered.

DEVILS LAKE: The North Dakota Bankers Association will hold its 1973 Consumer Credit Conference at the Devils Lake Town & Country Club Thursday and Friday, April 12-13. Herbert J. Wogsland, NDBA consumer credit committee chairman and vice president and manager, time pay department, Merchants National Bank & Trust Company, Fargo, has announced the program. Topics to be discussed include: legislation, Uniform Commercial Code, bank examiner's viewpoint, personal bankruptcies.

SOUTH DAKOTA NEWS

The South Dakota Bankers Association will hold its Agricultural Conference at the Staurolite Inn in Brookings April 10-11. Registration will begin at 8 a.m. April 10. Neal Jacobson, chairman of the SDBA agricultural committee and vice president and cashier of the Bryant State Bank, has announced the program. Subjects to be discussed include: bankers and agriculture, Uniform Commercial Code, Futures, community development, diversified agriculture and legislation.

SIOUX FALLS: Northwestern National Bank of Sioux Falls has made a \$525,000 bid to purchase property for a new bank building in the downtown area, according to C. A. Lovre, bank president. The property is now occupied by the vacant Cataract Motor Inn, the Lincoln Hotel Building, the old Elks Club building



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and several structures in the city's urban renewal area. Plans are incomplete but call for the bank building to be located on the corner of 9th and Phillips with a retail shopping area extending west to Main Avenue.

SIOUX FALLS: Maurice L. Murphey, president and general sales manager of Jordan Millwork, has been appointed to the advisory board of the south office of the National Bank of South Dakota.

COLORADO NEWS

ARVADA: Joseph Horan has announced his resignation as president and director of the Arvada State Bank. He joined the bank when it was opened in April, 1962, and was promoted to president in 1969.

BOULDER: Two new directors have been elected at the National State Bank of Boulder. They are: Mary Estill Buchanan, wife of the associate dean of the University of Colorado, and Jack W. Rouse, division manager for Public Service Co. of Colorado.

DENVER: Charles H. Smukler, who recently resigned as president of Security National Bank, has been elected a senior vice president of the Central Bank & Trust Co., according to Don Hoffman, president. Charles Drummond has been appointed vice president and Robert Wyatt and Harlan Cyphers have been named personal trust officers.

COLORADO SPRINGS: Mountain Banks, Lt., a bank holding company, has announced that it has received Federal Reserve Board approval for its acquisition of the Boulder National Bank. The ac-

quisition is being handled on an exchange of stock basis and the effective date will be April 30.

DENVER: The Treasury closed Skyline National Bank of Denver declaring it insolvent.

Justin Watson, acting currency comptroller, ordered the bank closed and named the FDIC as receiver. The bank had deposits of about \$6 million.

WANT ADS

Rates 25 cents per word per insertion. Minimum: 12 words.
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See You In Sterling

When Group 4 of the Illinois Bankers Association meets at Emerald Hills Country Club near Sterling on April 4, Cy Kirk and John Crotty of LaSalle National Bank, Chicago, will be on hand to greet their many customers and friends.

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