

# NORTHWESTERN Banker Newsletter

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## ABA Head Explains Prime Rate "Myth"

The prime rate may have gone up, but the price of money for consumers has been going down for more than a year.

Eugene H. Adams, president of the American Bankers Association, said that "While the prime rate has risen 1 1/2 points in the past 14 months, rates on consumer loans, for the most part, actually decreased in the same period."

Comparing figures issued by the Federal Reserve System on consumer rates for January 1972 through March 1973, Mr. Adams pointed to the costs of money in five critical consumer loan areas:

- New homes: FHA new-home mortgage rates have declined 42 basis points and are averaging 7.97 per cent.
- New automobiles: 10.04 per cent average loan today compared to 10.26 per cent in January 1972.
- Mobile homes: 12.48 per cent interest on loans compared to 12.57 per cent 16 months ago.
- Consumer goods: The cost of money to purchase all other consumer goods has fallen .09 per cent, to 12.48.
- Personal loans: The cost of money for all other personal expenditures has fallen .03 per cent, to 12.71.

The only increase in the cost of money available to the general public has been an indicated rise of eight-tenths of 1 per cent in bank credit card rates, to 17.91.

Enter the Myth of the Prime Rate.

"As sure as I am standing here," Mr. Adams told the Conference of State Bank Supervisors, "the American housewife is

being brought around to the view that an increase in the prime rate is followed almost at once by a boost in the price of a pound of pork chops.

"The genesis of this misinterpretation is plain to see. Even those who never go near a



E. H. ADAMS

bank except to cash a check are being treated almost daily to dissertations on where the prime is headed, whether the government will let it get there, or to the concept of yesterday's established guidelines for a dual prime rate for business loans."

Mr. Adams, who is also president of The First National Bank of Denver, said the prime rate applies to "an extremely select group of major commercial, financial and industrial corporations.

"And, while it is one element in the cost of furnishing products and services to the consumer, the prime rate is a very small part of that cost."

According to Mr. Adams, speaking on behalf of the nation's nearly 14,000 com-

mercial banks, "The problem is that the prime rate is only an indicator which points unerringly to economic reality.

"The kings of ancient Persia had a quaint habit of beheading messengers who brought bad tidings," mused Adams. "The prime rate seems to fare no better on Capitol Hill in Washington."

Mr. Adams said much of the prime rate myth stems from the inevitable effort to personalize the prime rate with an oversimplified definition in the news media which states: "The prime rate is the rate charged to a bank's most credit-worthy borrowers. It is also the rate on which all other interest rates are based."

"This erroneous paragraph forces the reader, or listener, to conclude that if the prime rate has gone up, so will the rates he will have to pay on any auto loan, home mortgage, or the money he hopes to borrow to pay for that new air conditioner.

"But the facts are," said Mr. Adams, "that consumer loan rates are holding fast, and even declining!"

Mr. Adams added that "The banking industry stands second to none in its desire to see inflation controlled, price stability achieved, and the balance of international trade and payments brought into equilibrium."

## Resigns Fed Position

James Louis Robertson, vice chairman of the board of governors of the Federal Reserve System, has announced he has submitted his resignation to President Nixon.

(Turn to back page, please)



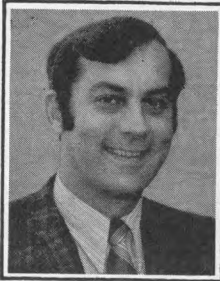
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### Iowa Independents Plan 2nd Annual Convention

Plans are being made for the 2nd Annual Convention of the Iowa Independent Bankers, which will be held at the New Inn on Lake Okoboji, July 19-21.

Registration material will be sent to member banks within the next 10 days. Included in the mailing will be reservation forms for the New Inn. Members desiring the Holiday Inn should make reservations on their own.

The convention format will be similar to last year with registration desk opening on Thursday, July 19. Delegates will hold a social hour aboard the Empress starting at 5:00 P.M.

On Friday, July 20, the formal business session will be held from 9:00 A.M. until 12:00 noon. The afternoon will be reserved for the annual golf tourney, and the evening will be open.

On Saturday, July 21, the second business session will be held starting at 9:00 A.M. At noon, there will be separate luncheons for men and women. A 6:00 P.M. reception and 7:00 P.M. barbeque will conclude the convention.

Dean Knudson, IBA president, and president of the University Bank and Trust Company, Ames, will preside at the business sessions. Program details will be released soon.

### IOWA NEWS

**BURLINGTON:** Robert T. Rehmke, vice president and farm representative of the Burlington Bank and Trust Company for the past five years, has resigned effective June 1. He will become the new executive officer of the West Liberty State Bank. He joins a group of local investors who have purchased 95% of the outstanding bank stock.

**BURLINGTON:** Leonard W. Lane has

been named vice president and cashier of Farmers and Merchants Bank and Trust.

**CEDAR FALLS:** Paul Hall has been named president of the Cedar Falls Trust & Savings Bank. Mr. Hall had been serving as executive vice president since July 1, 1972.

**DENISON:** Lyle Hansen has been appointed assistant vice president of the First National Bank.

**FAIRBANK:** Arlie Martin, board member, has been appointed vice president of the Fairbank State Bank to fill the vacancy resulting from the death of Earl E. Bentley, 84, a lifetime resident of Fairbank. Mr. Bentley served on the board of directors for 28 years and was vice president at the time of his death.

The bank also has announced that Earl Bellis, bank president, has purchased additional stock, giving him controlling interest. Robert Bellis has been appointed to the board of directors.

**HAMBURG:** Ronald R. Corey has joined the staff of Iowa State Bank as installment loan officer. He had been employed with Avco Finance in Clarinda.

**LONE TREE:** Lon O. Adams, 72, president, Farmers & Merchants Savings Bank, died April 15 in Palm Springs, Calif.

**MAQUOKETA:** David Thieleke has joined the Jackson State Bank and Trust Company as vice president in charge of operations. He will also be a lending officer. He has been employed by the Federal Deposit Insurance Corporation.

### NEBRASKA NEWS

**ARCADIA:** Construction began recently on an addition to the Arcadia State Bank. Structural Design of Holstein, Ia., is the contractor.

**ELM CREEK:** The Nebraska Department

of Banking recently took possession of the Elm Creek State Bank for the purpose of auditing and valuing the assets to determine if the bank must be liquidated. Deposits are guaranteed up to \$20,000 by the Federal Deposit Insurance Corporation.

**GRAND ISLAND:** The following directors of Mid-Nebraska Loan and Investment Co., Inc. have been elected: R. Keith Jobs, Ernest J. Thayer, David E. Tomlin and Leonard H. Conner. All are officers of the First National Bank of Grand Island. Both First National and Mid-Nebraska are wholly owned subsidiaries of Bankshares of Nebraska, Inc.

**OMAHA:** John Andresen has been appointed vice president of the First National Bank. He will continue as manager of the bank's international department.

**OMAHA:** John S. Templeton has been appointed assistant cashier at West Omaha National Bank. He joined the bank in 1970 as manager of the discount department.

**OMAHA:** James DeMoss has been named assistant vice president of marketing for the Omaha State Bank. He formerly was marketing representative.

**ORD:** Construction has begun on the new First National Bank facility one block east of the Ord square, according to Don Blaha, bank president. It is expected that the building will be completed by November 1.

**SEWARD:** Bob Anderson recently joined the Cattle National Bank as assistant vice president for loans. Mr. Anderson left Norfolk where he was senior bank examiner for the state.

**WEST POINT:** Allan C. McClure has been promoted to vice president and agricultural representative of the First National Bank.

### ILLINOIS NEWS

**CHICAGO:** Pullman Bank will build a new headquarters building at 111th Street and Interstate Highway 94, according to Robert H. Costello, bank president. The 12-story building will have 80,000 square feet and 15

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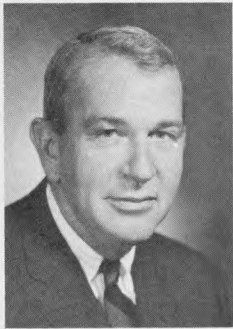
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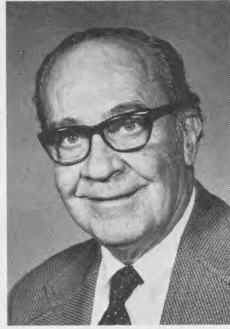




CHRYSTAL



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## Announce Program Highlights For Iowa Groups 5, 10, 8, 7

Iowa bankers will hold four annual group meetings during the period extending from May 7 through May 10. A second series of annual group meetings will be held during the period extending from May 21 through May 24.

Featured speaker at all the eight group meetings will be Carl Bahmeier, banking consultant from California. He was formerly executive secretary of the California Bankers Association and the South Dakota Bankers Association.

Additional speakers will include IBA President John Chrystal, president, Iowa Savings Bank, Coon Rapids; IBA Executive Secretary Neil Milner; Wendell Gibson, IBA General Counsel, and Oliver A. Hansen, superintendent of banking. A representative from the Iowa Trust Association will appear at each meeting.

Group 5 will start the series by meeting in Council Bluffs on Monday, May 7. Registration starts at 10 A.M. at Club 64. Following a 12:15 luncheon, the formal business meeting will begin at 1:15 P.M. Chairman Winfield S. Mayne, president, Montgomery County National Bank, Red Oak, will preside. A social hour will be held starting at 5:30 P.M. at the Lakeshore Country Club, and a banquet will follow at 7:00 P.M.

Group 10 will meet in Bloomfield on Tuesday, May 8 at the Bloomfield Country Club. Morning golf is encouraged, and registration and a dutch-treat lunch will begin at 11:30 A.M. From 3:30 to 5:00 P.M. the Davis County Savings Bank and the Exchange Bank will hold open house. A social hour will start at 4:00 P.M. at the country club. Dinner will be held at 6:30 P.M. at the

Golden Eagle Restaurant, located at the west edge of Bloomfield on Highway 2. The formal business meeting will follow. John A. Manning will preside as chairman. Mr. Manning is president of the Farmers State Bank, Keosauqua.

Group 8 will meet in Davenport on Wednesday, May 9 at Hotel Blackhawk. Tee off times at Emise Park have been scheduled between the hours of 9:30 A.M. and 2 P.M. The formal business meeting will start at 3:00 P.M. at the hotel. The social hour will be held in the Beau Art Room and Maison West Restaurant starting at 5:30 P.M. The banquet will follow in the Gold Room. Music and dancing will be provided by the Dukes of Rhythm starting at 9:00 P.M. Louis L. Morf, senior vice president, Monticello State Bank, will preside as chairman. Hosts will be the Jones County Bankers.

Group 7 will meet at the Elks Club in Waterloo on Thursday, May 10. Golf will be available at Porky's Red Carpet Golf Course starting at 9:00 A.M. The formal meeting will start at 3:30 P.M. The social hour will start at 5:30 P.M. and dinner will follow at 6:45 P.M. Musical entertainment is planned. Donald E. Noller, president, First National Bank, Evansdale, will preside as chairman.

### WELCOME TO BLOOMFIELD



Davis County bankers cordially invite you to attend the Group 10 meeting on Tuesday, May 8.

Join us for golf and a Dutch-treat lunch at the Bloomfield Country Club. Evening activities will include a Social Hour at the Club and an outstanding banquet and program at the Golden Eagle Restaurant.

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## Welcome To



### Group 5 Monday, May 7 COUNCIL BLUFFS

Meet old friends and collect new ideas. We are looking forward to seeing you at this informative and entertaining meeting.

#### HOST BANKS

Council Bluffs Savings Bank  
First National Bank  
State Bank & Trust



drive-up windows. It is scheduled for completion in October, 1974. Talsama Builders, Inc., is the general contractor and Marvin E. Knedler & Associates, Denver, is architect.


**PRINCETON:** The following staff changes have been announced: William B. Goff elected director, chief executive officer, executive vice president and trust officer; James E. Alderson, formerly with Hawthorne Bank of Wheaton, joined the staff as vice president and trust officer; Gary Massino named assistant cashier and installment loan officer; Thelma Beall named assistant cashier and assistant trust officer, and Stephen E. Dew, formerly of Peoria, joined the staff as customer relations manager.

**WOODFIELD:** Suburban National Bank of Woodfield, the first national bank in the Woodfield Shopping Center, is scheduled to open late this year. A permit to organize has been issued to the Suburban Bank Group, a six-bank northwest suburban association.

Organizers of this seventh bank are Gerald F. Fitzgerald, president, Palatine National Bank; real estate broker Jack Kemmerly; William McConnor, president, Union 76 Division Union Oil of California; Lee Morrison, president, Suburban Bank of Hoffman Estates; Michael Reese, president, Suburban National Bank of Elk Grove Village; and attorney Richard J. Riordan, Riordan, Larson, Linklater and Bruckert.

**MINNESOTA NEWS**

**DULUTH:** First American National Bank's Board advanced Robert F. Poirier from senior vice president to first vice president and elected Robert M. Sederberg, Jr., vice president in charge of operations and board secretary, to senior vice president. Promoted from assistant vice presidents to vice presidents are: John Z. Dahl and Henry Royer, commercial loan depart-



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ment; and John R. Oltmanns, correspondent bank department, marketing division.

**FAIRFAX:** The following changes have been made: Paul Duckstad, president for 10 years, was elected board chairman; Herbert R. Nelson, cashier and vice president, was elected president; J. Robert Dickson, vice president, was elected executive vice president.

**HERMAN:** Construction will begin May 1 on renovation of the outside and inside of the First National Bank.

**HOPKINS:** Luther N. Magelssen has been elected vice president at First National Bank.

**INTERNATIONAL FALLS:** Vic J. Mannila, former co-owner of the Mannila Mills of Big Falls, has been elected president of the International State Bank, succeeding Eugene S. Blair who resigned.

**LAKE PRESTON:** Keith Goodhope has been named manager of the insurance department of Northwestern National Bank, Lake Preston office, according to Harry Birath, local bank manager.

**MINNEAPOLIS:** William B. Holm has been named assistant vice president of the Federal Reserve Bank.

**MINNEAPOLIS:** Dain, Kalman & Quail, a securities firm, has announced it will join with Bosworth, Sullivan & Co., a Denver securities firm, in the formation of a holding company. The companies said the two firms would operate as separate subsidiaries retaining their identities and managements.

**ROCHESTER:** Five officers at First National Bank of Rochester have been promoted, according to Ray Roberts, bank president. They are: Roy Schuette to senior vice president; Franklin Ruhl to vice president and senior trust officer; Verol Anderson to vice president and trust officer; R. Alan Lichty and Ben deWit to assistant vice presidents in the commercial banking division.

**RUTHTON:** H. Clyde Pedersen, president of the town's bank, has announced the name was changed from Farmers and Merchants State Bank to Buffalo Ridge State Bank of Ruthton, Inc.

**SAVAGE:** Stockholders and directors of the Savage State Bank have approved a name change to the Security State Bank, according to Merritt J. Gates, bank president.

**ST. PAUL:** Idamae Scholl was elected operations officer for Northwestern National Bank. Gene A. Haberman and David B. Kentz were promoted to assistant vice presidents.


**SOUTH DAKOTA NEWS**

**LAKE NORDEN:** The First State Bank has been sold to Alan Atha, Castlewood, by the majority stockholders, Al Heggelund, John Nitteberg and Ted Bjorklund. The bank will continue to be locally owned and will have no personnel changes. Mr. Atha, 35, formerly worked for the Federal Deposit Insurance Corporation until he purchased the Citizens State Bank at Castlewood a year ago.

**COLORADO NEWS**

A bill to increase the distance for extended bank facilities from 2,000 to 3,000 feet from the main bank won preliminary approval in the Colorado Senate recently after considerable debate about branch banking.

**DENVER:** Melvin J. Roberts, board chairman of the Colorado National Bank, has announced that he will step down as chief executive officer June 1, 1973, when bank president Bruce M. Rockwell will take over



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the position. Mr. Roberts said he will remain chairman and will continue as president and chief executive officer of the holding company, Colorado National Bankshares, Inc.

## NORTH DAKOTA NEWS

**MINOT:** Warren L. Hintz has been advanced to a.v.p. at Union Natl. Bk., and will head the real estate loan dept. and personal banking center. Lawrence Jochim, formerly of Havre, Montana, has joined the installment loan dept. as a.c.

## WYOMING

**HANNA:** Wyoming Bancorporation in Cheyenne has filed application to establish a new state bank here. The area is a rapidly growing coal mining region in south central Wyoming. Two other de novo charters in Sheridan and Casper are still pending.

## RESIGNS FED POSITION ...

(Continued from Page 1)

Mr. Robertson, a native of Broken Bow, Neb., announced no future plans.

Mr. Robertson has been a member of the board of governors for 21 years and has been vice chairman for seven years.

## Heads State Supervisors

Donald E. Pearson, California Superintendent of Banks, has been named president and chairman of the Conference of State Bank Supervisors for the association's 1973-74 year.

Fred O. Dickenson Jr., Florida State Comptroller, is the CSBS's new first vice president, and James E. Faris, director of the Indiana Department of Financial Institutions, is second vice president.

The new secretary-treasurer is Harry Bloom, State Bank Commissioner of Colorado.

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### LA SALLE VICE PRESIDENTS TO ATTEND IOWA GROUPS

Max Roy and Cy Kirk, vice presidents of LaSalle National Bank, Chicago, will be on hand for the Iowa Group Meetings. Bankers of Group 5 (Council Bluffs); Group 10 (Bloomfield); Group 8 (Davenport), and Group 7 (Waterloo) will find Max and Cy ready and willing to discuss your banking problems.

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