

# NORTHWESTERN Banker Newsletter

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July 16, 1973

## Prime, Reserve Rules, Savings Rates All Up

In a little more than a year the American economy has switched again from a local stop schedule to an express run, amply fueled by all the flammable ingredients that could set off a runaway.

Last week the prime moved up again, this time to 8 1/4%, the ninth such upward move since last February. Early in 1972 the prime had receded to 4 1/2% from the all-time high of 8 1/2% during the 1969-70 money crunch. Indications early last week are that the prime might move even further during the week — to 8 1/2% again, or possibly toward the 9% mark, before any downward slide is seen.

Earlier, the Federal Reserve Board announced a double action to "restrain continuing excessive expansion" of money and credit. Effective July 2, the discount rate went from 6 1/2% to 7%. At the same time, the Fed increased reserve requirements on all but the first \$2 million of net demand deposits of member banks, an increase of one-half percent in each category as follows:

Deposits	Reserve Requirement
Up to \$2 million	8%
\$2-\$10 million	10.5%
\$10-\$100 million	12.5%
\$100-\$400 million	13.5%
Over \$400 million	18%

The effect of the new reserve requirements will be felt this week when they take hold July 19 to apply to average net demand deposits held in the week beginning July 5 and ending July 11.

At about the same time that the discount rate and reserve requirements were increased to hold down the money and credit supply, and the prime was trending upward in response to heavy loan demand, federal supervisory authorities increased the rates that banks and other thrift institutions may pay on various types of savings accounts.

Commercial banks received an increase in authorized savings rate from 4 1/2% to 5% on regular savings accounts, although Bank of America and many other banks felt at this time there is no need to change this rate within their own banks. S&L's were authorized by the FHLBB to go from 5% to 5 1/4%. On CD's of 90 days or more the rate went from 5% to 5 1/2% authorized for banks, and from 5 1/4% to 5 3/4% for S&L's. A new special account was authorized also, and this must be a deposit of at least \$1,000 left for a minimum of four years. There is no rate ceiling on this type of account. Little appeared to be happening with this new account by last week.

As a result, large and small banks nationwide began immediately to raise savings rates, although no definite pattern for all banks was yet discernible by mid-week. Generally, larger banks boosted short-term CD's to 5%, one-year CD's to 6% and longer CD's to 6 1/2%.

Negotiable CD's generally ranged in the upper 8% bracket, topping 9% at times. The most volatile and wide-ranging figures were noted in the Fed Funds market with reports of purchases hitting 17% on one day, several reports in Chicago and New

York of 15% rates periodically during several days, and consistent trading in the 9% to 14% range.

In the immediate midwest area, the following activity was reported at mid-week:

**Chicago:** Most banks had moved to 5% on savings accounts and had moved or were considering moving CD rates upward. A few banks and S&L's were offering the new four-year, \$1,000 minimum account, generally in the 7% area, although First Federal Savings of Aurora set its rate at 8 1/4%.

**Des Moines:** All major banks announced upward revision in savings and CD rates to the new allowable maximums, as well as increases in special passbook accounts offered by several banks. Bankers Trust announced it would also offer the new 4-year, \$1,000 minimum CD at 7 1/2%.

**Minneapolis-St. Paul:** Major banks either had announced or were expected to announce increases in savings rates to the new allowable maximums. Marquette National was the only major bank known to be offering the new 4-year CD, pegging its rate at 6.7% (compounded to a 7.03% effective).

**Omaha:** Major banks had not yet made an upward adjustment, although meetings appeared to be in progress and higher rates are expected.

**Lincoln:** Downtown banks moved to the new maximum rates July 9.

Varying state laws mean that state banks in most cases are delayed in advancing to the higher rates if they wish to do so. The Iowa banking department wrote its

(Turn to back page, please)



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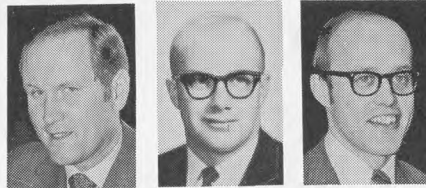
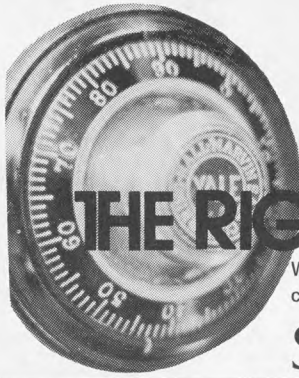
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### IOWA NEWS

Cecil W. Dunn, 46, has been appointed by Governor Robert Ray as Iowa superintendent of banking. He assumed his duties July 11 for a four-year term at an annual salary of \$23,500. Mr. Dunn is president of the Security Savings Bank of Eagle Grove. Complete details are in the August *Northwestern Banker*.

ALLEMAN: Polk City Savings Bank, Polk City, has filed an application for an office here.

CEDAR RAPIDS: Charles B. Hamilton has been promoted from assistant cashier to cashier at Merchants National Bank.

CLEAR LAKE: Iowa bankers will again sponsor a Governor's Breakfast at 8:30 a.m., Saturday, July 28, during the annual Governor's Day at Clear Lake. Reservations should be made with Jim Gilruth, vice president, Clear Lake Bank & Trust.

CUMBERLAND: Majority stock of Cumberland Savings Bank has been sold by Carl Riggs, William Burrell and other stockholders to William Norris, president of Houghton State Bank, Red Oak. All officers will remain the same.

FOREST CITY: Directors of Manufacturers Bank and Trust Co. have announced the election of Donald E. Snyder as president and cashier and Ronald L. Hansen as executive vice president. Mr. Hansen will continue as trust officer. Mr. Snyder joined the bank in 1969 as vice president. He succeeds Elliott E. Cooper, who has sold his interests to John K. Hanson. Joseph A. DeBoest, first vice president for the past six years, also has resigned as an officer and director.

LAKE MILLS: Mr. and Mrs. Myron Thompson were honored recently by employees, directors and guests of the Farmers and Merchants State Bank. Mr. Thompson retired as executive vice president of the bank on June 30. Dean Brackey, bank president, has succeeded Mr. Thompson.

OCHEYEDAN: The phone number for Ocheyedon Savings Bank should be corrected in the 1973 Iowa Bank Directory to 712-758-3141.

ROCKWELL: Richard Galloway has been elected assistant cashier of the Community State Bank.

## Northeast Iowa Banks

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**nb National Bank of Waterloo**

SPENCER: Larry Wenzl, president, Clay County National Bank, announces the election of James M. Simpson as assistant vice president. Mr. Simpson had been assistant vice president the past three years at Western State Bank, Sioux Falls. Previously, he was with Iowa-Des Moines National Bank, Des Moines.

### NEBRASKA NEWS

OMAHA: State Banking Director Henry Ley will delay a decision on the application of Douglas County Bank for a detached teller facility until a new law takes effect September 2. The bank had applied for a facility at 108th and Mockingbird Road, which is presently outside the city limits. Bank officials say it was filed subject to the approval of annexation of the area now pending before the City Planning Board. The bill permitting Douglas County Bank to open the office will become effective on the above date.

OMAHA: Edward W. Lyman, Jr., a native of Omaha, has been advanced to vice president in the banking department at Harris Trust and Savings Bank, Chicago. He is the son of E. W. Lyman, Sr., president of the United States National Bank, Omaha.

### MINNESOTA NEWS

BROOKLYN CENTER: Thomas J. Harty has been promoted to assistant vice president in charge of the real estate department at the Brooklyn Center State Bank.

MINNEAPOLIS: The First National Bank has announced the following staff changes. Elected vice presidents are George A. Holthus, James W. Diment and

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. . . on Friday evening, July 20

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Lawrence W. Payne. Other promotions are: Dennis F. Maetzold to retail banking officer, Marvel J. Andersen and Marvin R. Braun to trust officers and Frederick H. Tesch to audit officer.

**OWATONNA:** Al Severson, Security Bank and Trust Company president, has announced the promotion of three staff members: Kenneth E. Wilcox to senior vice president, David F. Robbins to vice president and Daniel K. Collins to assistant cashier and agricultural representative.

**SANBORN:** Clyde Grenz and C. L. Severson have purchased controlling interest in the Sanborn State Bank, purchasing the shares from over 20 former stockholders. Elected to the new board were Marvin Pankonin, local farmer, Morris C. Brewster, local businessman, Mr. Brenz, newly elected president and Mr. Severson, newly elected vice president and cashier. Ewald W. Yackel was elected chairman.

### COLORADO NEWS

**DENVER:** Ronald C. Harris, 34, who joined the First National Bank in 1956, has been appointed senior vice president. He is also a director of First of Northglenn and First of Bear Valley, affiliated bank.

**FOUNTAIN:** United Banks of Colorado, Inc., has signed a letter of intent to purchase the First State Bank here, according to Roger D. Knight, Jr., United Banks chairman, and Roy I. Gordon, chairman and president of First State Bank.

**PUEBLO:** The Pueblo Bank and Trust Company has received FDIC approval to establish a drive-in facility at 6th and Grand Avenue.

### ILLINOIS NEWS

**CHICAGO:** Mason A. Loundy, president of Devon Bank, has announced the following changes: Richard P. Deranian, formerly



George Harnagel

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## IOWA-DES MOINES NATIONAL BANK

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Central National vice president, was elected cashier; Joseph Cicerchia and Paul G. Papachristou were promoted to assistant vice presidents and Michael Slavin was promoted to assistant cashier. Roger H. Williams joined the bank as trust officer.

**DOWNERS GROVE:** An application by the First Security Bank of Downers Grove for Federal Deposit Insurance has been approved. The bank has total capital of \$1,200,000.

**RIVER GROVE:** The River Grove State Bank's application for Federal Deposit Insurance has been approved. The bank has total capital of \$1,375,000.

### SOUTH DAKOTA NEWS

**RAPID CITY:** The American State Bank opened for business on June 25.

### WYOMING NEWS

**ROCK SPRINGS:** Directors of Wyoming Bancorporation, Cheyenne, have filed an application with the Comptroller of the Currency for a national bank charter in Rock Springs to be known as Bank of Wyoming, N.A. Proposed capital is \$200,000, surplus, \$200,000, undivided profits, \$100,000, for a total of \$500,000, according to Paul L. Howes, president of Wyoming Bancorporation.

**SHERIDAN:** An application for a national bank charter for the Bank of Wyoming, N.A., filed by a group of directors of Wyoming Bancorporation, has been approved. The applicants will now apply with the Board of Governors of the Fed seeking its approval of the new bank's affiliation with Wyoming Bancorporation. The bank will have an initial capitalization of \$400,000.

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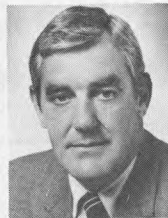
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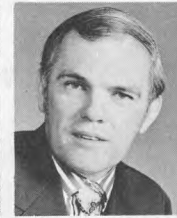
Three of our men  
on your side at



Fred Coulson



Tom Cannon



Dick Muir

# COMMERCE BANK of Kansas City<sup>NA</sup>

## SAVINGS RATES..... (Continued from Page 1)

recommendation to the Attorney General, who must go through the formality of submitting it to a review board before officially authorizing state banks to raise to levels announced by federal authorities. In Nebraska the director of banking is required to hold a meeting and it is scheduled for July 23, at which time the ruling is expected to make rates retroactive to July 2.

While commercial banks were aggressively seeking new funds with the higher permissive savings rates, S&L officials were not so happy. Many of the savings field officials feel that this latest move will be detrimental to the housing field. They don't foresee much of an in-flow of funds from the new rates and think the rates will merely create a further depressing of earnings. Disintermediation reportedly was nearing record levels within the S&L industry prior to the rate increase, in a year when housing starts had a rosy outlook. Mortgage rates to the customer also went up recently to the 7½% level, announced first by Cleveland Trust Co.

With all this accelerated activity, the stock market continued its uncertain course as the Dow-Jones wandered up and down in the 870 to 880 range.

Other complications in the nation's current financial picture include the fight for the dollar abroad, trying to anticipate what will happen in August at the end of Phase 3, the future of livestock and agricultural products in view of possible shortages — and politics.

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