

NORTHWESTERN Banker Newsletter

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FDIC to Rely on 3 States for Bank Exams

IOWA Governor Robert D. Ray and State Superintendent of Banking Cecil W. Dunn have been notified by the Federal Deposit Insurance Corporation and the Conference of State Bank Supervisors of Washington, D.C., that Iowa will be an initial state in a pilot project whereby the state examining portion of the present regulatory responsibilities of the FDIC will be transferred in part to the Iowa state department of banking.

FDIC officials said Iowa, along with the states of Georgia and Washington, were chosen because their banking departments were regarded as effective supervisory agencies.

The program seeks to develop a workable means of reducing unnecessary duplication of examinations of state chartered banks, with the FDIC withdrawing from regular examinations of approximately 500 state chartered nonmember insured banks in the three states commencing January 1, 1974.

Iowa Bank Superintendent Dunn stated it was an honor for the State of Iowa to have been selected to be one of the lead states in the experimental program. He further expressed confidence in the ability and capacity of the Iowa banking department to fulfill the new demand to be placed upon it.

Mr. Dunn said that immediately following the announcement a one week school was held in Des Moines for all Iowa department of banking examiners. A team of 15 FDIC examiners also was in attendance to

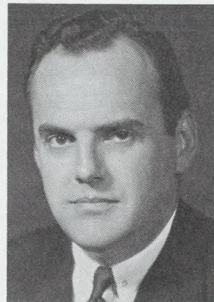
work with Iowa examiners in reviewing FDIC forms since these are the ones that will be used in the new program to conform to the Corporation's computerized processing of reports.

Text of Statement by Chairman Frank Wille

Chairman Frank Wille announced December 16 that the Federal Deposit Insurance Corporation on January 1, 1974, would begin a thirteen month experimental program in the examination of insured state chartered nonmember banks in the states of Iowa, Georgia and Washington.

During the period of the experiment the FDIC will rely heavily on the examination reports of the three state banking departments as to the financial condition of a substantial percentage of the total number of insured nonmember banks in each state, while the FDIC itself will withdraw from normal examination activity.

The percentage of insured non-member banks involved in the experiment varies among the three states and will be approximately 50% of the total number in Iowa, approximately 65% in Georgia and approximately 80% in Washington.



Frank Wille

With respect to the remaining nonmember banks in each state, both the FDIC and the state banking department will continue their current examination programs on an independent, concurrent or joint basis as the case may be. The FDIC also will continue during the test period to examine all nonmember insured banks in the three states for compliance with certain Federal laws including the Truth in Lending Act, the Fair Credit Reporting Act, the Bank Protection Act, the Bank Secrecy Act and certain disclosure and equal opportunity laws.

The FDIC's announcement culminates months of planning by the Corporation and the Conference of State Bank Supervisors following a suggestion made by Chairman Wille last April. In a speech before the Conference at that time, Mr. Wille indicated the FDIC's willingness to join CSBS in an intensive review of the practical problems involved in any reallocation of examination functions and responsibilities to determine if a controlled experiment in a limited number of states could feasibly be undertaken for a limited period of time, following which the experience gained could be analyzed and assimilated before proceeding any further.

Mr. Wille stated at the time: "We believe that if the states are carefully chosen for this experiment in federalism, the risk involved can be minimized, the standards for selection of qualified states can be refined, and the problems not foreseen at the beginning by either FDIC or CSBS can be exposed for further discussion and review before the withdrawal concept is extended to other

(Turn to Page 3, please)

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IOWA NEWS

CLARINDA: The Page County State Bank has completed its interior remodeling. It held an open house on December 13.

KNOXVILLE: Iowa State Savings Bank recently honored two long-time employees, Howard L. Kading and Ray S. Glenn. Both men will remain at the bank in an inactive status. Mr. Glenn will continue as a director and a part-time agricultural representative.

MALVERN: The Malvern Trust & Savings Bank has signed a contract with the Kirk Gross Co. of Waterloo for a major remodeling of its bank building. The work will start about February 1, 1974, with completion slated for November 1, 1974.

The bank also has announced that Allan C. Burdic has been advanced to executive vice president and F. E. Mulholland has been advanced to vice president and cashier.

OAKLAND: The Citizens State Bank held an open house December 22 to commemorate its first anniversary in its new bank building and to honor Rebecca Ann King, Miss America 1974. Rebecca and her parents, Mr. and Mrs. Wylie King of Hancock, have banked at Citizens State for approximately 25 years.

OTTUMWA: Leonard E. Wells, executive vice president of The First National Bank of Eldon, and Max von Schrader, Jr., president, Union Bank and Trust Company of

Ottumwa, have announced that an agreement has been signed under the terms of which The First National Bank will be acquired by Union Bank and Trust, and Union Bank and Trust will establish a full service office at Eldon. The agreement has been approved by the boards of directors.

No changes in personnel are contemplated. Completion of the transaction requires prior approval of the shareholders of The First National, the Superintendent of Banking, and the Board of Governors of the Federal Reserve System.

PRESCOTT: Application has been made to the Comptroller of the Currency to merge First National Bank into Okey-Vernon National Bank of Corning. An office would be maintained at Prescott if the merger is approved. Both banks are owned by Floyd Whitmore, who is chairman of the Prescott bank and president at Corning. He is also chairman of Page County State Bank at Clarinda.

SOLDIER: Funeral services were held recently for Donald H. Halverson, director and cashier of the Soldier Valley Savings Bank.

TITONKA: Allan Boyken has been named assistant cashier of the Titonka Savings Bank.

WATERLOO: E. James O'Connor has been elected a senior vice president of Waterloo Savings Bank. He joined the bank in 1950 and had been vice president since 1966.

NEBRASKA NEWS

GRAND ISLAND: The First National Bank has announced the promotions of Gale C. Sherman to installment loan officer, Richard D. Falldorf to loan officer and James R. Ritz to motor bank manager.



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LEIGH: Charles A. Mullenhoff has joined the staff of the Bank of Leigh.

OMAHA: A hearing will be held on January 3 on the Douglas County Bank's application for a teller office on the southwest corner of Seventy-second and Maple Streets. It had originally asked for approval for a location at 108th and Mockingbird Drive. This application was withdrawn because too many other banks had decided to locate teller offices in that area, according to Carl Brady, bank president.


MINNESOTA NEWS

BELLE PLAINE: The State Bank of Belle Plaine recently celebrated its 91st anniversary with an open house. Kevin Gaffney is the bank's president.

HOPKINS: James H. Thompson has been promoted to assistant vice president in charge of the marketing division at the First National Bank.

MINNEAPOLIS: Floyd O. Smith has retired as assistant commissioner of banking after 40 years with the State Banking Division.

MINNEAPOLIS: Reg F. Kroskin, assistant vice president, has been advanced to vice president, commercial loans, at the Midland National Bank. Gary R. Kamrath has been elected assistant cashier, commercial loans.



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MINNEAPOLIS: MoAmCo Corp. (AMEX) has reached an agreement to sell its subsidiary, the Americana State Bank of Edina, and the building at 5050 France Avenue S. which houses the bank and MoAmCo's corporate offices, according to Robert T. Wienert, president.

Buyer is David A. Erickson of Minneapolis. Mr. Wienert said MoAmCo plans to lease the space it occupies in the building. The bank would also continue to occupy the premises.

MINNEAPOLIS: Gene Locke, chairman of the board of the First Minnehaha National Bank, was honored at the bank's annual Christmas party for his banking career of over 45 years. Mr. Locke plans retirement next spring.

PAYNESVILLE: Jeff Walter has joined the staff of the First State Bank.

ROCHESTER: Gregory J. Pepin has joined The First National Bank as installment loan officer. He previously had managed the Fidelity Industrial Credit office in Rochester.

TRIMONT: The Triumph State Bank recently completed a remodeling job inside the bank.

ILLINOIS NEWS

CHICAGO: Albert W. Rodriguez has been elected vice president and commercial loan officer at Marina Bank.

CHICAGO: Christopher W. Roberts was named senior vice president, international banking division, of Central National Bank.

CHICAGO: Ralph H. Zwiers, vice president of The Drivers National Bank, will take an early retirement from the bank, December 31, 1973. He has served it for 44 years.

CHICAGO: Richard P. Patterson has been named manager of the Chicago office of the municipal bond division at Harris Bank. He is an investment department vice president.

MACOMB: Robert N. Shult has been elected assistant vice president and security officer of the Citizens National Bank.

COLORADO NEWS

BOULDER: Bonnie Laycook, controller of the National State Bank, has been installed as Colorado group chairwoman of the National Association of Bank Women.

NORTH DAKOTA NEWS

BOWBELLS: Franklin Larson recently purchased major stock in the First National Bank from R. C. Wiper. New executive officer is Kermit Mahlum, who has been with the bank for four years. He takes over for Kenny Johnson who resigned. Jerry Melby has joined the staff.

FARGO: Jack C. Tanner, general manager and chief executive officer of the American Crystal Sugar Company, has been elected a director of The First National Bank and Trust Company. Gary L. Johnson has been elected a trust officer. He had been an assistant trust officer since 1969.

SOUTH DAKOTA NEWS

SIOUX FALLS: Four new officers have been elected at various Sioux Falls offices of the National Bank of South Dakota. Named were Kathryn Lensch, personnel officer, and Bette Theobald, trust operations officer, Main office; Margaret Driscoll, operations officer, South office, and Thomas A. Marchetti, assistant cashier, East office.

MONTANA NEWS

HELENA: Robert F. Burke, president, First National Bank & Trust Company, has been selected a member of the regional advisory committee on banking policies for the 13th National Bank Region.

WYOMING NEWS

SHERIDAN: Neal Thielen has been appointed loan officer for the Bank of Commerce.

CHAIRMAN WILLE . . .

(Continued from Page 1)

states or to other supervisory functions."

In the intervening months, the FDIC and CSBS worked together to evaluate the capabilities of state banking authorities in all 50 states, and jointly visited eleven states before the final selection of Iowa, Georgia and Washington was made. While other states had capable examining forces and also have respected supervisors, the Corporation concluded that these three states, located in three widely separated parts of the country, provided sufficient diversity in the number, kinds and characteristics of nonmember banks to permit a meaningful experiment with the least risk to the deposit insurance fund.

Each of the states chosen for the experiment is entering into a formal memorandum of understanding with FDIC as to the respective responsibilities each state and FDIC will have during the test period. Among other things, these memoranda of understanding state the list of banks to be examined exclusively by the state authority shall remain confidential throughout the program; that reports of state examinations shall be prepared on FDIC forms and in accordance with the FDIC's Manual of Examination Policies; that each report shall be forwarded to the FDIC's regional office not more than sixty days after completion of the examination, together with a copy of any supervisory letter sent by the state to the bank; the FDIC shall be provided full access to the work papers of state examiners; that the state will promptly inform FDIC of any significant problems it discovers concerning an insured nonmember bank not examined by FDIC and any corrective action taken or contemplated; and that FDIC may examine any such bank whether or not it is initially included in the



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list of banks for exclusive state examination. FDIC further reserves the right to terminate or modify the program at any time.

Chairman Wille said that the Corporation hopes to discover through this experiment whether it can adequately exercise its supervisory responsibilities without duplicating examinations of insured non-member banks in states with independent and proven examining capabilities. The possibility that this could be done has been suggested for a number of years but this will be the final significant experiment to test whether all of the problems surrounding such a reallocation of examination responsibilities such as manpower, budget, examination report quality, processing time and compliance with Federal laws can be resolved.

The initial phase of the experimental program will terminate on January 31, 1975, and the FDIC then will undertake to evaluate the results to see whether the program should be continued in any of the three states, expanded to include other states and if so on what conditions, or re-

jected as a technique in the supervision of state chartered nonmember banks.

Insured nonmember banks in other states will not be affected by this experimental program and the Corporation will continue its traditional practice of examining each such bank at least once annually.

Comment by CSBS

CSBS President Donald E. Pearson, who is also the superintendent of banks of California, advised that other states also were qualified for the experiment.

He said, "The Corporation and the Conference have spent many months developing this project, and the practical problems that had to be solved were significant. We polled the 50 state banking departments to ascertain their interests and capabilities. After analyzing the results, we felt that a large number of departments were qualified. Georgia, Iowa and Washington were chosen from this group primarily because they best met several criteria mutually established by the FDIC and CSBS."

Important among these considerations, according to Mr. Pearson, were:

- A balanced geographical mix of states.
- A diversity of branching structures among participants.
- The experience of the examination forces.
- The speed of examination report preparation and submission.
- A minimum disruption of FDIC examining personnel.
- The ability of the departments to accommodate modification in procedures and operations during the experimental period.

Mr. Pearson commended the FDIC board "for making possible a program which may lead to better bank supervision," and he further expressed confidence "that Commissioner Edward D. Dunn of Georgia, Superintendent Cecil W. Dunn of Iowa and Superintendent William L. Hart of Washington will work effectively with the Corporation."

—End

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