

NORTHWESTERN Banker Newsletter

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Propose Variable Rate for Time Deposits

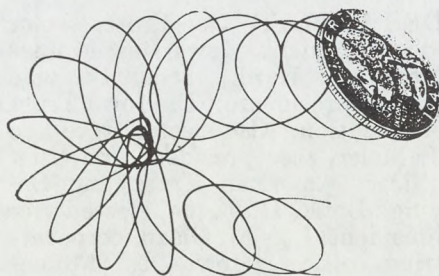
With mutual savings banks facing continuing deposit outflows due to competition from high yields available on three-month and six-month Treasury bills and on short-term Treasury notes, the Federal Deposit Insurance Corporation has proposed a variable-rate time deposit tied to Treasury bill rates.

Speaking at the annual convention of the National Association of Mutual Savings Banks recently, Frank Wille, FDIC chairman, explained the proposal. Although his comments were directed to executives of mutual savings banks, a similar plan could also be adopted by commercial banks. Here are the details:

"My associates at the FDIC believe that it may indeed be feasible to offer a variable-rate time deposit tied to short-term Treasury yields which might be more effective than the present 7 1/2% four-year certificate in stemming the outflow of your deposit funds, as well as less expensive to you over the life of the deposit. Such a variable-rate certificate, which would supplement and not replace any of your accounts, might have the following characteristics:

"(1) A ceiling rate, specified in accordance with last October's

legislation, that would be announced monthly no later than the 24th day of each month, such rate to be



effective for the full calendar month immediately following.

"(2) A ceiling rate for thrift institutions equal to the average of the approximate yields announced by the Treasury each Monday for non-competitive bids on three-month Treasury bills during the four or five weekly auctions immediately preceding the establishment of the monthly rate. Thus, the ceiling rate which would have been announced for April of this year would have been 7.71% and for May 8.34%. The commercial bank ceiling rate would reflect a differential similar to that which exists for other time deposits under the present schedule, i. e., either 1/4 or 1/2 of 1% per annum.

"(3) A minimum denomination and a minimum maturity specified by Federal regulation. If the prece-



PICTURE OF THE WEEK—Headlining the Group 3 show at Clear Lake, Iowa, on May 23 was **Helen O'Connell**, nationally-known recording star (left). Shown with Miss O'Connell are **Mr. and Mrs. Mark Arneson**. Mark, who is pres., Clear Lake Bk. & Tr. Co., has arranged the program for Group 3 for many years.

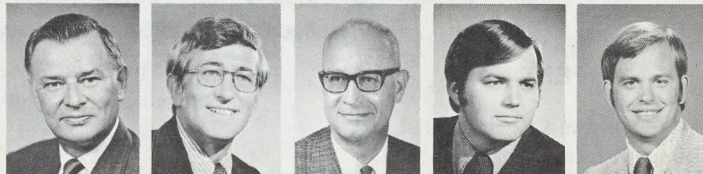
dent of the present 7 1/2% fixed rate certificate were followed, the minimum denomination would be \$1,000 and the minimum maturity would be four years.

"(4) Possibly, a specified interest rate floor set at some level below the passbook savings rate. Thus, when the ceiling rate as computed above fell below the specified floor, the depositor would be assured in advance that his downside risk would be limited, thereby assisting him in making his initial investment decision.

"(5) The same minimum penalty presently prescribed by regulations for the early redemption of other

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Iowa News

The Iowa Bankers Association summer calendar of events includes three important schools and seminars:

June 3-14—Agricultural Credit School at Iowa State University, Ames.

June 16-21—Iowa School of Banking at University of Iowa, Iowa City.

August 4-9—Iowa Installment Lending School at Drake University.

August 7-9—Executive Management Conference at Tan-Tar-A in Lake of the Ozarks.

Detailed bulletins and registration forms for any of these events may be obtained from the IBA office at 630 Liberty Bldg., Des Moines 50309.

AMES: The Ag Credit School co-sponsored by the Iowa Bankers Association and Iowa State University got underway today, June 3, on the ISU campus. It will conclude June 14 with awarding of certificates to the bankers who have completed the two-year course.

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CLEAR LAKE: The Community State Bank made application to the FDIC on May 9 to effect a merger with Ventura State Bank, Ventura. The Community Bank would be the resulting bank.

DES MOINES: Dee Frost, senior vice president, Iowa-Des Moines National Bank, recently was elected president of the Iowa Trust Association. Also elected were Leo J. Meier, vice president and trust officer, American Trust and Savings Bank, Dubuque, elected vice president; Lois M. Olsan, corporate trust officer, Iowa-Des Moines National, elected secretary and treasurer, and Richard J. Ryan, senior vice president, Merchants National Bank, Cedar Rapids, elected chairman of the executive committee.

FORT MADISON: Group 11 Sports Day will be held here on Wednesday, June 5. Golf will be available at Shaeffer Municipal, 3 miles north of the city. The social hour and dinner will be at the Fort Madison Country Club.

NEWTON: The Central Iowa Chapter of BAI will meet June 20 at the Newton Country Club. Social hour is at 5:30 p.m., with dinner at 6:30 p.m. Speaker will be Earle Bruce, Iowa State football coach.

Nebraska News

A suit was filed in Federal District Court in Omaha May 28 against First Federal Savings &

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National Bank of Waterloo

Loan Association, Lincoln, American Community Stores of Omaha (Hinky Dinky), and the Federal Home Loan Bank Board of Washington, D.C., seeking a temporary injunction as well as a permanent judgment against operation of First Federal's Transmatic Money System (TMS). Plaintiffs are seven federal and state chartered Nebraska S&L's and four Nebraska banks. They are:

Bloomfield Federal S&L, Chadron S&L, Equitable S&L of Columbus, Great Western S&L of Omaha, Madison County Bldg. & Loan of Madison, Mutual Bldg. & Loan of North Platte, Plattsmouth S&L, Farmers & Merchants Natl. Bank of Oakland, 1st Natl. Bank of Newman Grove, Farmers State Bank of Douglas and Hastings State Bank.

CLAY CENTER: Dwayne A. Mazour has been promoted from cashier to vice president, according to Frank L. Tice, president. Lesley Q. Rothrock has been elected cashier.

LINCOLN: James J. Masonbrink, formerly executive vice president of the Business Development Corp. of Nebraska, has joined City National Bank & Trust Co. as executive vice president.

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Mark Christen
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MILLARD: Gilbert L. Thompson, cashier, has also been elected a vice president. He has been with the bank since 1963. S. John Bednar, with the bank since 1969, has been promoted to assistant vice president.

MURRAY: Charles H. Boedeker, president, Murray State Bank, has announced the sale of majority interest in the bank to a holding company headed by Larry N. Swedlund of Omaha. Mr. Boedeker also has sold his interest in the insurance agency division of B&W Enterprises, Inc., to the holding company. Mr. Boedeker, who has been with Murray State 44 years, will continue in an active role as chairman. Mr. Swedlund, 31, a native of Minden, Nebr., is a graduate of Kearney State College. His banking experience includes the seven years with the Nebraska department of banking as an examiner.

Minnesota News

Robert A. Mampel, Minnesota banking commissioner, has been named to the board of trustees of the Conference of State Bank Supervisors.

EYOTA: Darrel A. Johnson, 27, has been named vice president of the Farmers State Bank.

NEW HOPE: William T. Bailey has been elected president, director and chief executive officer of the New Hope State Bank.

ST. PAUL: Robert E. Caudel has been appointed vice president of Liberty State Bank. Formerly he was vice president, commercial banking division, Bank of the Commonwealth, Detroit.

SAVAGE: Robert Lexvold has been appointed executive vice president of the Security State Bank. Formerly he was cashier.

VICTORIA: Daniel Klein has been appointed vice president and Wayne Neubarth cashier of the Victoria State Bank. Mr. Klein formerly was with the State Bank of Young America and Mr. Neubarth was with the Arlington State Bank.

Illinois News

CARMI: White County Bank has received FDIC approval to establish a motor facility at at 215 East Main Street.

CHICAGO: Directors of the Lake View Trust and Savings Bank have elected Robert P. Kline as president and chief executive officer. The appointment was effective June 1. He succeeds Don Kreider, who has resigned. The \$375 million bank is a subsidiary of NL Industries, Inc. Mr. Kline, 52, also was elected a director. He had been president of Illinois National Bank and Trust Company in Rockford prior to accepting the Lake View appointment.

South Dakota News

BRYANT: Lawrence A. Jacobson, 80, president of the Bryant State Bank, died May 17. He moved to Bryant in 1912 to start his banking career at age 19. Mr. Jacobson joined Bryant State Bank in 1915 as assistant cashier. He served as president from 1966 until his death. Survivors include his widow, and his son, Neal L. Jacobson, who is executive officer of the Bryant State Bank.

Colorado News

DENVER: Dan V. Clark and Travis N. Townsend have been promoted to vice president at Colorado National Bank. Mr. Clark, who joined the bank in 1970, is manager of the instalment loan division. Mr. Townsend joined the bank in 1966 and is manager of the national accounts division.

Montana News

HELENA: Betty Jean Lindstrom was appointed a vice president of the Federal Reserve Bank branch effective June 1. Mrs. Lindstrom joined the Helena branch in 1943. She will graduate from the Pacific Coast School of Banking this September. She supervises the check and accounting departments.

Wyoming News

CASPER: The following promotions have been announced by the Wyoming National Bank: A. Blake Cornthwaite, named assistant vice president and comptroller; James E. Forsling, assistant vice presi-

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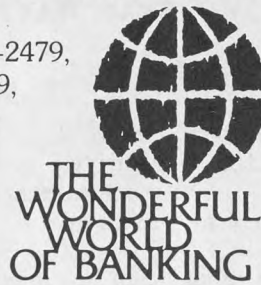
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dent to head of personnel, and Thomas K. Grove, assistant manager of instalment loans.

Variable Rates.....
(Continued from Page 1)

consumer certificates. Individual banks could, as they can today, refuse to redeem the certificate unless the depositor held the time deposit to maturity or paid a greater penalty.

"(6) Interest earned would, of course, have to be calculated and credited on a monthly basis, while present rules relating to the compounding of interest would apply.

"I wish to emphasize that the FDIC has not and is not taking an official position as to the wisdom or desirability of instituting this type of variable-rate certificate, nor has it seen fit to refer this specific proposal to the Interagency Coordinating Committee. I raise it today in order to begin a discussion of its merits, both in concept and in detail.

"There are certain risks involved in a variable-rate certificate pegged to Treasury bill rates. One is that the level of such rates over the next few years may be significantly higher than the historical pattern of the last four years as the Federal Reserve pursues with determination and greater persistence its

anti-inflationary policies. But if this occurs, the loss of depositors' funds to the market may also be an accelerating phenomenon without such a variable-rate certificate. Secondly, the establishment of such a certificate carries the risk that there will be a substantial shift not of 7 1/2% certificate money into the new certificate, but of regular passbook money into the new certificate—a move which would increase your interest cost on such funds without reducing the expense of 7 1/2% certificates. Obviously, the terms of the new certificate should be designed to discourage this kind of a shift of passbook savings money."

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