

NORTHWESTERN Banker Newsletter

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Inflation Cure: Stop Spending

"The best way to reduce interest rates is to reduce inflation, and that's not as difficult as it is painted," Chairman Walter B. Wriston of Citicorp, New York, recently told members of the Subcommittee on Financial Institutions of the U. S. Senate Committee on Banking, Housing and Urban Affairs.

Testifying at hearings on the Hunt Commission proposals to restructure the U. S. banking system, Mr. Wriston pointed out that "in the face of our traditional concern for the rights of the individual, it is curious that we permit laws to remain on the books which penalize the consumer.

"It seems unfair to charge him 18 per cent or more when he borrows and pay him as little as five per cent when he saves his money. Many economists feel that this is the time to reward savers and to penalize borrowers, rather than the other way around," the New York banker told the subcommittee members.

"When the Hunt Commission recommended the abolition of all interest rate ceilings on time and savings accounts (Federal Reserve Regulation Q), they understood that such a step would not only increase competition for the consumer dollar but increase the total amount of savings in the economy.

"It follows that a bigger savings base would mean more loanable

funds, especially mortgage money. It also follows that thrift institutions should be allowed to diversify their asset portfolios so that they can compete for deposit funds more effectively," Mr. Wriston said.

"The removal of mortgage ceilings, for example, would encourage more institutions to enter the market. Variable rate mortgages with rates more in tune with market rates would tend to relieve many of the cyclical problems of institutions with large mortgage portfolios."

Discussing Citicorp's floating rate note issue which was offered to investors last week, Mr. Wriston told the subcommittee members that accusations that the notes were an attempt to circumvent the law were "patently untrue."

"The law does not and never was intended to cover obligations of non-banking affiliates of commercial banks," he said, quoting from a statement by Senator William Proxmire in his Banking and Currency Committee report of November, 1969, to support his contention.

"Our note issue fully corresponds to the criteria the committee set in its report. The funds can in no way be construed to be a deposit.

"It is also averred that our floating rate notes will cause disintermediation—that fearful word invented to make the simple



PICTURE OF THE WEEK: New officers of the Iowa Independent Bankers elected at the annual convention in Okoboji on July 27 are Pres. **Ben E. Summerwill**, pres., Iowa St. Bk. & Tr. Co., Iowa City, and Vice Pres. **Richard Randall**, pres., Dunlap Sav. Bk.

concept of competition somehow intimidating, evil and requiring protection," he explained.

"The only thing that justifies protection against disintermediation—or more accurately, competition—is the public interest. Certainly providing mortgage money is in the public interest, but this protection from competition, as provided in Federal Reserve Regulation Q, has failed to provide adequate mortgage money.

"I agree with Senator McIntyre's statement that 'In the eight years that Regulation Q has been in effect industry-wide, it has become increasingly obvious that, even

Inflation. . .
(Turn to page 5, please)



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Iowa News

ADEL: Leland Goodrich, former executive vice president of First State Bank, Stuart, has been named president and director of the new Raccoon Valley State Bank. Formerly known as the Dallas County Savings Bank, the bank was moved to Adel from Minburn by John Chrystal of Coon Rapids, principal owner.

ATLANTIC: The Atlantic State Bank has named W. G. Beatty as president and trust officer. D. E. Kuiken has been named senior vice president and cashier. C. D. Emmert continues as chairman.

DAVENPORT: An office at West Central Park and Hickory Grove has been approved by the Iowa Dept. of Banking for Davenport Bank & Trust.

DES MOINES: The Iowa Installment Lending School, sponsored by Drake University, is now in session, (August 4-9).

DES MOINES: The Executive Management Seminar, sponsored by the Iowa Bankers Association, will

be held this week, August 7-9, at Tan-Tar-A, Osage Beach, Mo.

DUBUQUE: The Iowa Banking Department has approved an office in Sherrill for Dubuque Bank & Trust.

IOWA FALLS: George Umscheid, 33, is a new installment loan officer for Citizens State Bank.

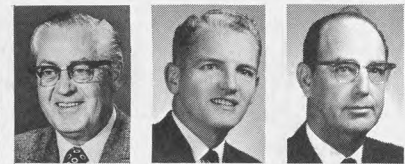
OTTUMWA: Jerry Lunsford of Fremont has been named manager of the Northgate office of the First National Bank, Ottumwa, replacing Francis J. Palmersheim, who has joined the Dakota County State Bank, South Sioux City, Nebr., as vice president.

PERRY: Roger Rinderknecht has joined the First National Bank as senior vice president. He had been with the Jefferson State Bank.

PRAIRIE CITY: John J. Brower has been advanced from executive vice president & cashier to president, replacing Joe McKlveen, who will continue as a director. Dwight Kennedy was named cashier.

SIoux CITY: Valley State Bank has received approval from the Iowa Banking Dept. to start an office at 1818 West 7th St.

SIoux CITY: Toy National Bank has added Leland "Dick" Anderson, native of Cherokee, as a trust officer. He was formerly with First National, Dubuque, and Bankers Trust, Des Moines.



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VENTURA: The Iowa Banking Board will hold a hearing on August 15, on an application to merge the Ventura State Bank with the Community State Bank, Clear Lake.

Nebraska News

OMAHA: The Comptroller has approved a charter for the Old Mill National Bank, to be located in the unincorporated area of Douglas County. Richard L. Berkheimer is the agent.

OMAHA: Howard M. Johnson has been elected president of the Cornhusker Bank of Omaha, succeeding M. Bruce Martin, who continues as a director. Mr. Johnson was a former president of Security National Bank.

OMAHA: The new Southside Bank in LaVista, located at 7201 South 84th Street, opened for business last week in a temporary modular building. A permanent building is planned in two years, according to Michael J. Hogan, chairman and president. Marvin Kelley has been named executive vice president and Larry Kinder, vice president and cashier. Barbara Reed is assistant cashier. Mr. Kelley and Mr. Kinder were with the Southwest Bank.

SUPERIOR: R. E. Squires has been named president of the Security National Bank. He was formerly president of Manning Trust &

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Dear Mr. Banker,

This message is specifically directed to you bank owners who are nearing or have reached the age of retirement!

A thorough review of all leading financial news publications will substantiate our statement that "Bank sales have virtually ceased." Granted, there are a few mergers and a limited number of announcements of exchanges taking place - but for the most part, inactivity is the total description. Sophisticated investors with unlimited capital are the only potential, individual purchasers who are in a position to make acquisitions. It is, therefore, time for you to make a decision!

We have been in the business of negotiating the purchase and sale of banks exclusively for many years. Never before in the history of our bank brokerage experience have we encountered the unprecedented obstacles in connection with the sale of banks. You, as professionals in the field of finance, need no education with respect to the over-all economic problems this entire nation faces. The President of the United States has recently announced that this country's inflationary trends can only be controlled and contained over the long term. Even then we must look to greater production of food, grains and all other commodities. Wage and price controls will not be re-instated. There cannot and will not be any immediate relief as far as our general economy is concerned.

Certainly, with these conditions existing it takes no mathematical genius to determine the improprieties of buying a bank on today's money market when the need for financing exists.

The days of selling to an individual who must rely on bank earnings and take-outs to fund his indebtedness are long since past! Such a Buyer is too rigidly controlled by amortization schedules and tax ramifications to insure any successful degree of debt retirement. The end result is that practically all sales will be made to a limited number of Buyers - those who have a great deal of cash.

There are three basic reasons why you should contact us if you would consider a sale:

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Savings Bank, Manning, Ia., where he continues as a director.

SOUTH SIOUX CITY: Francis J. Palmersheim has been named vice president of the Dakota County State Bank. He was formerly manager of the Northgate office for First National, Ottumwa, Ia.

Minnesota News

WHEATON: State Bank of Wheaton observed its 75th anniversary recently by holding open house for the public.

WYOMING: A \$75,000 expansion and remodeling project has been completed by the First State Bank of Wyoming, according to president Myles Giese.

Colorado News

ARAPAHOE: J. W. Gunter has been named executive vice president of the Peoples Bank of Arapahoe. R. G. Blackwood has been advanced to cashier.

BOULDER: The Comptroller has issued a charter for the Gunbarrel National Bank, located in Boulder County. Agent for the bank is William P. Johnson.

DENVER: Gary D. Whitlock has been named vice president of Mountain Banks, Ltd. He was formerly with National Bank of Commerce in Dallas, Tex.



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Illinois News

LOVES PARK: A state charter has been issued for the organization of the First Bank of Loves Park at the corner of Harlem and Alpine Roads. Total capitalization is \$900,000. Howard E. Bell is chairman and president; John O. Benson, executive vice president and chief executive officer, and Brad Anderson is cashier. Mr. Bell is also head of First National Bank & Trust Company, Rockford.

North Dakota News

BISMARCK: The Bank of North Dakota will be celebrating its 55th birthday during the week of July 29 through August 2.

FINLEY: Les H. Nettum has joined Citizens State Bank as Ag. Rep. and manager of the bank's insurance agency. He was formerly a vocational ag. teacher.

VELVA: C. W. "Chet" Folkert has been named executive vice president and cashier of the Peoples State Bank. He will also serve on the board. Mr. Folkert had been a senior examiner for FDIC.

Wyoming News

SHERIDAN: The Bank of Wyoming N.A. opened for business last week, according to Paul L. Howes, president, Wyoming Bancorporation. The new bank is capitalized at \$400,000.

Nearly 500 Attend Independent Convention

Ben E. Summerwill, president, Iowa State Bank & Trust Company, Iowa City, has been elected president of the Iowa Independent Bankers at its annual convention held in Okoboji this past week.

Richard Randall, president, Dunlap Savings Bank, was elected vice president, and Homer Jensen, vice president, Capital City State Bank, Des Moines, was re-elected treasurer. Nearly 500 bankers and members of their families attended.

Key speakers at the Okoboji meeting included Baxter Freese, well-known cattle feeder from Wellman, Iowa, and Jay J. DeLay, Class A director of the Federal Reserve Bank of Chicago, and president, Huron Valley National Bank, Ann Arbor, Mich.

Mr. Freese predicted higher cattle prices for this fall and early winter, to be followed by lower prices in the spring.

Mr. DeLay predicted that the Federal Reserve Board will continue its tight money policy for another two to four years.

Inflation. . .

(Continued from page 1)

among financial institutions themselves, Regulation Q has not eliminated disintermediation but has, in and of itself, become a major contributing factor toward this phenomenon."

"Experience supports this view," the New York banker said. "During the past 12 months when available mortgage money was being reduced by the flow of deposits out of savings institutions, it was also being reduced by the action of the managements of these institutions. In the first quarter of 1974, for

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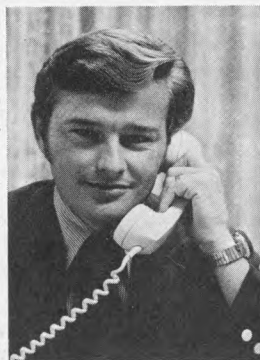


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example, thrift institutions put a lot less into mortgages and a great deal more into corporate bonds than in the year before.

"But while thrift institutions were cutting their mortgage lending, Advance Mortgage, our subsidiary, was increasing its percentage of financing to the housing market.

"Those who want to support America's housing by asking the working person to accept an interest rate on his savings lower than the market dictates are advocating having large home owners in the suburbs subsidized by small depositors in the city. This is neither a necessary nor a just system."

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