

# NORTHWESTERN Banker Newsletter

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February 24, 1975

## Bill Would Require Fed To Cut Interest Rates; Allocate Credit

A House banking subcommittee has approved bills that would require the Federal Reserve to bring down long-term interest rates and President Ford to allocate credit away from "inflationary" uses and toward "priority" uses.

The original legislation was introduced by Rep. Henry R. Reuss, D., Wisc., chairman of the House Committee on Banking and Currency. Last week, the bill was split to form two separate bills: H.R. 3160 - to force lower interest rates and H.R. 3161 - to allocate credit for "priority" uses. Senate Concurrent Resolution 18 covers similar legislation, and hearings will be held in a subcommittee of the Senate Committee on Banking, Housing and Urban Affairs on February 25-26.

Five Democrats voted for the bills and three Republicans voted against them, setting the stage for another partisan fight within the full Banking Committee.

Both measures have received top priority from the House Democratic leadership, and the committee chairman, Henry Reuss (D., Wisc.), said last week that he hopes to have the interest-rate bill on President Ford's desk "by the Ides of March." The credit allocation bill

is more controversial and will take longer to enact.

Treasury Secretary William Simon says the credit allocation measure would create a "credit police state," and Federal Reserve Board Chairman Arthur Burns says it could "wreck" the economy.

### Speedy Passage

Both he and Mr. Simon also have expressed serious reservations about the interest rate measure. To meet these objections and to improve chances for speedy passage, Rep. Reuss redrafted the interest rate bill during Congress' Lincoln Day recess and split it from the credit allocation section.

As originally drafted, the interest rate section would have "requested" the Fed to try during the first half of 1975 to increase the money supply—demand deposits and currency outside banks—at an annual rate of at least 6%. The new bill would require the Fed to conduct monetary policy in the first half of 1975 so as to lower long-term interest rates. There isn't any mention of a specific figure for money-supply expansion.

Some people thought that 6% was a ceiling as well as a floor, Rep.

Reuss explained. To avoid appearing "restrictive", he added, it seemed better to leave out any specific target for monetary expansion.

What's more, he said, demand deposits and currency outside banks is only one gauge of the money supply. Deleting that reference gives the Fed "a latitude" that the original bill would have denied it, he said.

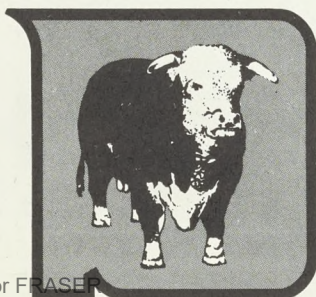
In addition, Rep. Wright Patman (D., Texas), chairman of the subcommittee, said a separate bill dealing only with interest rates could "quickly" clear both houses, while a measure requiring credit allocation might be subject to "lengthier" consideration.

The credit allocation section originally would have directed the Fed to allocate credit toward "national priority uses," including capital investment, working capital, housing, small business, farming and state and local governments. It would have required the Fed to channel loans away from "inflationary uses," including purely financial activities, speculative purposes and loans to foreigners.

The separate, new allocation bill makes the President responsible for allocating credit, although he can delegate his powers to the Fed or to other federal agencies. It lists similar priority uses to which loans

(Turn to back page, please)

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## Iowa News

**AMES:** Wayne E. Harrell recently was appointed executive vice president of the University Bank and Trust Company. He will continue as trust officer.

**AMES:** The annual Ag Credit Conference will be held by the Iowa Bankers Association at the Memorial Union, March 5-6. Registration starts at 9:15 a.m., March 5 in the Sun Room.

**BURLINGTON:** A. E. Zupak, president of Bonewitz Laboratories & Supply Co., has been elected a director of the Farmers & Merchants Bank & Trust Co. C. E. Walsh was elected assistant vice president.

**BURLINGTON:** Group 11 elected Robert Oatley, assistant vice president, Ft. Madison Bank &

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Trust as chairman and Robert Laughrige, vice president, Union Bank & Trust Co., Ottumwa, as secretary. Over 800 attended.

**CEDAR FALLS:** Paul Bailey recently was appointed assistant cashier of Midway Bank & Trust.

**DAVENPORT:** J. M. Hutchinson, executive vice president, Davenport Bank & Trust Co., has retired.

**DES MOINES:** The new office headquarters of the Iowa Independent Bankers will be at 222 Equitable Building after February 24. Phone number is 515/244-4201.

**ELDRIDGE:** David E. Stephens recently was promoted to executive vice president and director of Central Trust and Savings Bank. Richard Menke was promoted from assistant cashier and assistant trust officer to trust officer.

**SIOUX CITY:** Registration at the recent Group 11 meeting was recorded at 950.

**WAUKON:** Waukon State Bank has elected E. Richard Lomen president and William S. Hart chairman. Elmer Fogt, who resigned December 31, had held both positions.

## Nebraska News

**DAVID CITY:** The David City Bank has announced the following promotions: Terry L. Novak from assistant cashier to assistant vice president, and Larry G. Novak, Patricia Vaca and Arlene Souba to assistant cashiers. Capital stock has been increased \$32,000 and

surplus \$168,000 by sale of 1,600 shares of stock.

**LINCOLN:** The Nebraska Bankers Association's Annual Bank Management Conference on Wednesday, March 5, will be devoted entirely to the subject of Electronic Funds Transfer. Starting at 9:15 a.m. at the Radisson Cornhusker Hotel,

**OMAHA:** John M. Shonsey, chairman of West Omaha National Bank, has announced the following promotions: Robert N. Blomstrand, Terry G. Grosvenor and Lynda R. Schill, assistant cashiers, and Barbara L. Cotten and Constance Tesar, facility managers.

## Minnesota News

**BIG LAKE:** Gordon Winzenburg recently was elected vice president at Citizens State Bank. Rita Jensen was elected assistant cashier.

**CLARISSA:** Willard Duda has joined the Farmers State Bank as insurance department manager and loan officer.

**DODGE CENTER:** Dave Erdmann has been elected assistant cashier and insurance manager of the Northwestern Bank.

**DULUTH:** Gerald Peyton recently was named vice president of the Pioneer National Bank.

**FARIBAULT:** Open house will be held by the State Bank of Faribault, March 6-7 to celebrate a new addition and remodeling, according to Robert J. Trench, vice

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**LAKE CRYSTAL:** Larry Walters has joined the Lake Crystal National Bank as assistant vice president.

**MANKATO:** John V. Wallace has been promoted from vice president to senior vice president at Valley National Bank. T. William Coughlan has been promoted to vice president.

**MINNEAPOLIS:** Delos R. Score has joined First National Bank as an assistant vice president, real estate banking. He formerly was vice president, real estate banking, at the First National Bank of Great Falls, Mont.

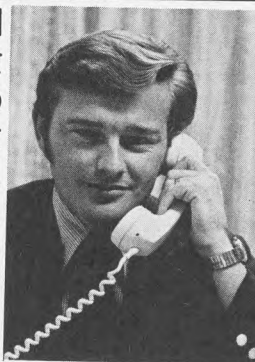
**MONTEVIDEO:** First National Bank has elected three new directors: Norman Bosch, who is engaged in dairying and beef feeding; Luthard Molde, partner in Moldes' Electric Company, and Ray Welker, president of Welker's, Inc., in Montevideo and Key Business Products in Willmar.

**OAK PARK HEIGHTS:** Three new directors have been elected at Oak Park Heights State Bank. They are David C. Linquist, owner of Broaster Line Equipment Co.; Carroll J. O'Boyle, superintendent of J. L. Shiely Company, and Ivan R. Weiss, president and owner of Northwest Tire Company of St. Paul.

**ST. MARTIN:** Paul Herges, owner of Metro Gallery of Homes in St. Cloud, has been appointed president of the St. Martin National Bank, succeeding the late Ben J. Mondloch. Mr. Herges was the bank's first executive vice president from 1963 until 1970.

**ST. PAUL:** The Federal Reserve System announced its approval of an application by American Bancorporation, Inc., St. Paul, Minn., a bank holding company, to acquire Glasser-American Mortgage Company, Englewood Cliffs, N. J., a *de nova* subsidiary that would engage in mortgage banking activities.

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**WAYZATA:** Roy F. Rasmussen has been promoted from assistant vice president to vice president of the First National Bank.

**ROLLING MEADOWS:** James P. Geimer, vice president and treasurer, Weber-Stephen Products Co., Arlington Heights, has been elected a director of the Plum Grove Bank.

### Illinois News

**BATAVIA:** The First National Bank has announced three promotions: Stephen Foley, auditor; Rachel Goers, assistant cashier and Betty White, administrative assistant.

**TINLEY PARK:** Jeanne McKalip, secretary-treasurer of Rex TV Service Co., Inc., has been elected a director of Bremen Bank and Trust Company.

**HARVEY:** First National Bank has announced the following promotions: Girard W. Senesac to vice president and cashier, David Kuczenski and Vivienne Coe to assistant vice presidents, Virginia Fell to auditor, and Ronald Mrozek to assistant auditor. Alice Acquaviva was named assistant vice president.

### Colorado News

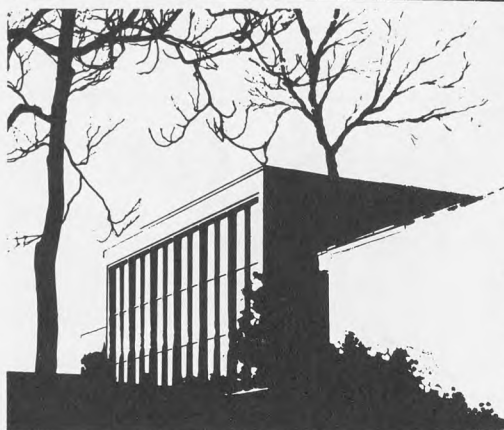
**COLORADO SPRINGS:** Colorado bankers will hold the annual Ag Credit Conference at the Broadmoor, March 2-5.

**NORTHBROOK:** Chris T. Cunico has been named loan officer at the Northbrook Trust & Savings Bank.

### First of Chicago Announces Change

Nevin Bowser, vice president, First National Bank, Chicago, has been assigned to institutional sales in the bank's bond department. He will call on banks throughout the Upper Midwest and Southeast. Clarence "Bud" Cross, correspondent bank officer, will continue to call on Iowa banks for Division F. Other assignments will be announced.

**PEORIA:** The Illinois Bankers Association will hold its consumer credit conference at the Peoria Hilton, February 26-27.



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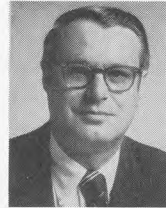


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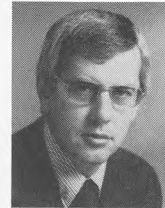
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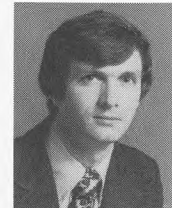
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## INTEREST RATE CUTS. . . .

(Continued from page 1)

should be channeled but leaves it up to the President to decide what constitutes an inflationary use.

Like the original draft, the new bill permits setting supplemental reserve requirements to encourage banks to make the kind of loans specified. But it also permits the President to establish a "voluntary affirmative action program" to achieve the same ends.

### Prime To 8 1/2 %

New York's Chemical Bank lowered to 8 1/2 % from 9 % its prime, or minimum, interest rate on loans.

It was the first major bank to lower its base lending fee below 8 3/4 %.

The last time the banking industry's prime rate was lower than 8 1/2 % was in July 1973.

Analysts generally expect the prime rate to drop sharply over the coming months in response to the easier credit policy of the Federal Reserve System.

### South Dakota News

**CLEAR LAKE:** The Deuel County National Bank has announced the promotions of Wesley A. Skunberg to assistant cashier and instalment loan officer and Lynn Tjaden to assistant cashier and agricultural representative.

**SIOUX FALLS:** Northwestern National Bank will hold its opening in its new building in late April. (The February 17 issue of the Newsletter reported it to be March 1). The definite dates will be announced soon.

**STOCKHOLM:** Raymond E. Knapp has joined the Stockholm State Bank as cashier. He formerly was with Lockheed at Palmdale, Calif.

### North Dakota News

**FARGO:** Dakota National Bank and Trust Co. has announced the promotions of Daniel S. McKinnon to vice president and Joyce Rude to assistant cashier.

**MINOT:** First Western Bank has announced three promotions: Larry E. Fiedler to vice president; Richard K. Anderson to assistant vice president and trust officer, and Curtis D. Zimbelman to assistant cashier.

**WEST FARGO:** P. W. Sherlin has been appointed assistant cashier in the instalment loan department of the West Fargo State Bank.

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