

NORTHWESTERN Banker Newsletter

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FDIC, Fed Seek Comment on IRA Regs

Banks will be in a more competitive position for Individual Retirement Accounts if changes proposed by the Federal Reserve Board and the FDIC are adopted. Both agencies have called for comments on this subject—the Fed's deadline is August 8 and the FDIC's is July 30.

The agencies want to do away with the differential in ceiling interest rates between banks and thrift institutions, so far as IRA's are concerned.

IRA's are authorized by the Employee Retirement Income Security Act of 1974 and are available to anyone who is not currently covered by a retirement plan. Individuals may deposit tax-deferred contributions of up to \$1,500 a year, or 15 per cent of gross income, whichever is less, into these accounts each year.

Thrift institutions want to preserve the higher rates they may pay for savings on IRA's too, but the banking industry is pressing for the right to pay at least the same amount as savings institutions for these accounts. The differential is generally one-quarter of one per cent.

Provisions of the Internal Revenue Code specify when distributions may be made, impose a 10 per

cent tax penalty on any funds prematurely distributed from an IRA and set the conditions under which funds can be transferred from one IRA to another without incurring the tax penalty.

The FDIC board of directors said it is interested in public comment on the following issues:

(1) Would existing provisions in the FDIC's regulations setting penalties for the withdrawal of time deposits prior to maturity unduly interfere with the distribution of all or part of the funds in an IRA when the participant retires, becomes disabled or dies?

In order to minimize the effect of the FDIC's existing penalty provisions upon the distribution of IRA funds at retirement, disability or death, insured nonmember banks maintaining IRA deposits would have to arrange the maturities of those deposits so that they would come due at sufficiently brief intervals.

Accordingly, the FDIC is interested in whether some sort of limited exception to the present penalty provisions is necessary to facilitate withdrawal and distribution of IRA deposits when a participant retires, becomes disabled or dies. This issue is of particular significance because in

instances of retirement, disability or death, IRA funds can in most instances be distributed without incurring the 10 per cent tax penalty referred to previously.

(2) In view of the 10 per cent tax penalty for premature distribution of IRA funds, does the FDIC's penalty for withdrawal of time deposits prior to maturity impose what amounts to a double penalty? If so, should an exception to the FDIC's penalty rules be considered for all withdrawals from IRA deposits regardless of when made?

Section 408 of the Code provides that when any funds are distributed from an IRA before the participant attains age 59½, becomes disabled or dies, his Federal income tax shall be increased by 10 per cent of the amount distributed unless the funds are placed in another IRA within a specified time. The FDIC is interested in whether the 10 per cent tax penalty for premature distribution of IRA funds would deter the early withdrawal of IRA deposits to such an extent that the FDIC need not require insured nonmember banks to impose a penalty for early withdrawal when IRA deposits are withdrawn prior to maturity.

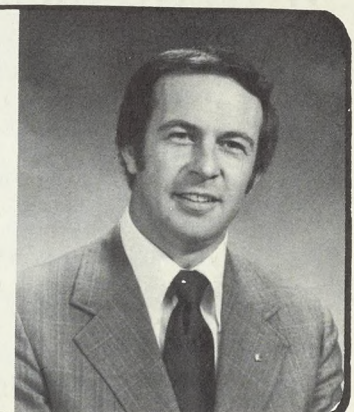
(3) In view of the intent of

SEEK COMMENT.
[Turn to page 5, please]

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Prime Rate Moves Up

First National City Bank of New York raised its prime rate last week to 7%, bringing it into line with the rate charged now by other major banks. Citibank's prime had been 6¾%. It was also reported that Citibank's prime would move to 7¼% by Friday, July 11, based on existing market pressures, which includes tightening of credit by the Fed, resulting in a slight increase in short-term interest rates. Commercial banks also have now been experiencing a rise in loan demand after months of decline.

Iowa News

The Iowa Bankers Association will conduct a one-day Workshop on the new Real Estate Settlement Procedures Act on July 15 at Hotel Savery in Des Moines. Registration

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begins at 8:30 a.m. and the program will conclude at 4:00 p.m. The new Act became law June 20, 1975, and controls all federally regulated lenders in the making of 1-4 family mortgage loans. The morning session will follow the ABA Study Kit, while the afternoon will feature four knowledgeable persons covering all aspects of the Act. Registration fee of \$20 includes lunch, coffee breaks, materials.

AMES: The Federal Reserve Bank of Chicago has approved the application of Ames National Corporation to become a bank holding company. Earlier this year shareholders of First National Bank formed the new corporation which will acquire 100% of the bank shares, except for directors' qualifying shares.

DUBUQUE: Two Dubuque banks have announced plans to open offices in the Key West area south of Dubuque. American Trust & Savings Bank and Dubuque Bank & Trust Co. plan to establish bank offices on adjoining tracts of land at the corner of Highway 151 and Highway 61 (the corner of Maquoketa Drive and Rockdale Road).

MARSHALLTOWN: Dennis Henning has been elected controller of Fidelity Savings Bank, according to Tom Smith, bank president. He most recently served as controller of Bramwell, Chandler, Johnson and Co. here.

MARSHALLTOWN: Richard C.

Anderson has joined the Security Savings Bank as manager of the farm management department, according to R. M. Wilson, bank president. Mr. Anderson previously was associated with Central Iowa Production Credit Association for seven years.

MUSCATINE: David M. Croy has been promoted to assistant vice president and manager of the instalment loan department of Central State Bank. He joined the bank in February from the First National Bank, Waverly.

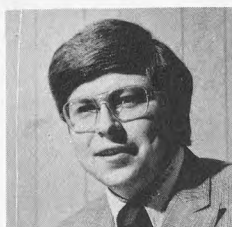
RED OAK: Les Marchant, president of the Cumberland Savings Bank, has announced that the bank has merged with the Houghton State Bank here.

SIOUX CITY: First National Bank has filed an application requesting permission to establish an office at 4600 Morningside Avenue here.

Nebraska News

BUTTE: The Federal Reserve Bank of Kansas City has announced its approval of the applications by Butte State Company for prior approval of the formation of a bank holding company through the acquisition of 80% or more of the voting shares of Butte State Bank and to acquire Butte State Agency and to act as a general insurance agent or broker.

GIBBON: Greg Burger has joined the Exchange Bank as assistant vice president. He has previous banking experience at the Bank of Fairplay in Colorado.



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Some folks are just naturally skeptical about anything that's new. But the world has a way of moving ahead anyhow. Direct Deposit of Social Security checks, for example, will soon be nation-wide. If you haven't yet joined the Mid-America Automated Clearing House Association (MACHA) so your bank can receive these payments, the time to do so is now.



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The Patriots

A startling reevaluation of the fifty most important men and women of the Revolutionary Era. Surprisingly, it leaves out Paul Revere and Betsy Ross.

This is, to say the least, an unexpected book. For what started out to be an elegant pictorial memento of the Bicentennial Celebration has turned into what may well be the most controversial book about the subject to be published during the bicentennial period. But history is history.

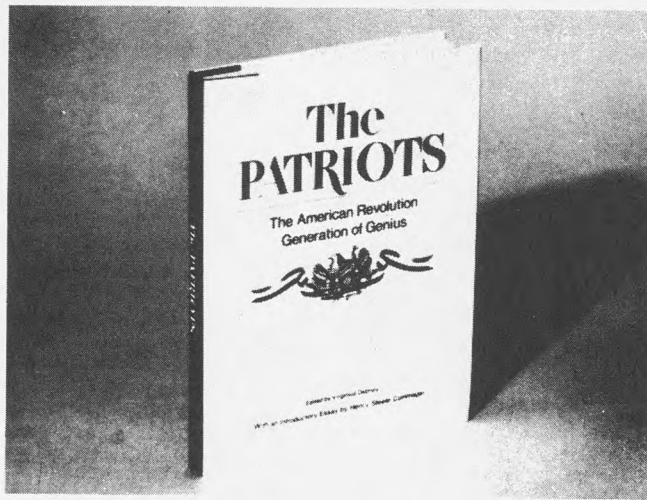
The omission of Paul Revere from this book is unfortunate, principally because it shatters our illusions. But it is justified. No one should expect less of historians of the stature of Samuel Eliot Morison, Henry Steele Commager and Virginius Dabney.

The facts show that Revere did not complete his famous ride, that he was, in fact, captured. Four years later he fled in battle and was subsequently courtmartialled. A great silversmith, yes. A great Revolutionary Patriot, no.

If you're shocked by the absence of such deeply-entrenched heroes as Paul Revere and Betsy Ross, how will you react to the omission of more than half the signers of the Declaration of Independence—men, who by the very act of signing committed, and knew they were committing high treason, the possible punishment for which was death by hanging? Were they not among the bravest? Do they not deserve to be counted on any list of immortal Revolutionary heroes?

They certainly do. As do the thousands of men and women who fought and died during the Revolution; those who fought without dying; those also who fought from the rear: making guns and ammunition; providing food and clothing; finding horses; unloading ships and unpacking crates. But not in this book. Or ten books, for it would take at least that many to honor them justly.

The Patriots is a book that evaluates the fifty men and women who made highly significant contributions, not just to the Revolution, but to the new nation and the new system of government born of that re-



bellion. It is a book that isolates those men and women who formed what Virginius Dabney has called "an unparalleled generation of genius." It is a book meant to make your mind reel, your soul shiver, your ears ring; to make the totality of your consciousness focus on the high improbability that, within a single generation, this half-grand, half-tattered collection of colonies could produce and attract men and women with the intellectual force, the inventive power and the moral determination of George Washington, Thomas Jefferson, Samuel Adams, Alexander Hamilton, Tom Paine, Patrick Henry, Abigail Adams, Mercy Warren, John Paul Jones and the Marquis de Lafayette. Few nations, before or since, have ever been so compactly endowed. Nor have the peoples of the world since then been more enriched than by what they did.

When the decisions as to "which fifty" had been made, twenty-three historians, two journalists, a diplomat, a surgeon and a university head were asked to write short biographical sketches of the subjects. Samuel Eliot Morison wrote the sketches of Abigail Adams, John Paul Jones and James Otis. Bruce Catton did Ethan Allen and Nathanael Greene. Dr. Michael DeBakey, Benjamin Rush, William F. Buckley, Jr., Philip Schuyler, Alistair Cooke did George Rogers Clark, Benjamin Franklin and George Mason. Henry Steele Commager wrote five of the biographi-

cal sketches (Joel Barlow, John Hancock, Thomas Paine, David Rittenhouse, and Noah Webster). But he also took on the assignment of the *Introduction* which is a sweeping 20,000-word essay on the Revolutionary Era that says more about that thirty-year period than you will gather from volumes ten times as long.

The Patriots, however, besides being an important literary work, is also a "picture book": a collection of portraits of the subjects gleaned from the finest private collections and museums in the country. One, the portrait of Jefferson, is from a

one-inch miniature by Charles Wilson Peale in the Collegio Maria S. S. Bambina in Italy. Ironically, the portrait of Samuel Adams is from an engraving by Paul Revere. Besides Peale, the portraitists include the most distinguished painters of that period in American art: John Trumbull, Thomas Sully, Gilbert Stuart, John Singleton Copley and Rembrandt Peale. Principally because of them, *The Patriots* is a magnificent-looking volume which you are not likely to tuck away in your bookshelves for some time.

Because it is meant to be commemorative of the Bicentennial, as well as historically significant, *The Patriots* is being published in two editions: a leatherbound, limited and numbered edition (2,500 copies at \$75.00 each), and a regular hardcover edition at \$15.00.

However, by special arrangement with the U.S. Bicentennial Society, you, our readers, can buy the regular edition at \$9.95—a saving of 33 1/3% from the publisher's price—by reserving it in advance. Simply fill out and mail the coupon below with your check for \$9.95 plus 50¢ postage and handling. Or send your name and address to us, c/o U.S. Bicentennial Society, 25 East Main Street, Richmond, Virginia 23219. At no extra cost, you will receive a charter membership in the U.S. Bicentennial Society.

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The Patriots



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LINCOLN: Havelock Bank has received permission to establish a detached tellers facility at the northeast corner of 70th and Adams Street here.

NORTH PLATTE: An Order of Approval has been issued to American Security Bank for permission to issue \$500,000 of capital notes or debentures.

OMAHA: J. D. Clemmer has been named executive vice president of the Southwest Bank. He had been executive vice president and a director of the North Side Bank for three years.

Minnesota News

DOVER: The First State Bank of Dover has announced that it has discontinued any further investigation on moving the First State Bank of Dover to St. Charles.

HUTCHINSON: Eva Maas has been promoted to assistant cashier of the First National Bank, according to W. T. Richards, president.

Illinois News

FOREST PARK: The Board of Governors of the Federal Reserve System has announced its denial of the application of Forest Park National Corporation to become a bank holding company through acquisition of Forest Park National Bank here.

South Dakota News

The American Society of Farm Managers and Rural Appraisers in cooperation with the South Dakota

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Society of Farm Managers and Rural Appraisers will hold an advanced Farm-Ranch Management School at the Ramada Inn in Sioux Falls from July 27 through August 1.

The purpose of the school is to offer five days of intensive training and instruction to those who wish advanced knowledge in the management profession. It will include both the theoretical and the practical aspects of the farm management profession. The program is adapted and designed for professional managers who have at least five years of farm-ranch management experience.

GREGORY: The United National Bank, Sioux Falls, has announced that it has received approval to establish a new office here.

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SIoux FALLS: C. A. Lovre, president of the Northwestern National Bank, has announced the following promotions: Kris J. Kober, assistant manager, personal banking, main office; Roxy M. Deutscher, main office, and Donald E. Gross, Madison Office, personal loan officers, and LaVonne K. Rose, personal banking officer, main office.

North Dakota News

HILLSBORO: Northwestern State Bank has increased its capital stock from \$250,000 to \$450,000 by cash subscription.

Wyoming News

CHEYENNE: Robert D. Kirby has been promoted to assistant trust officer at American National Bank.

SEEK COMMENT.
[Continued from page 1]

Congress to encourage individuals to save for their retirement and in view of the fact that IRA funds may remain on deposit at financial institutions for very long periods of time, should the existing ceilings on interest rates paid by banks on time deposits be adjusted to permit commercial banks to pay interest on IRA deposits at rates equal to

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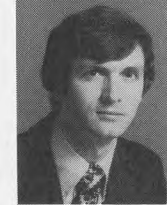
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those that may be paid by savings and loan associations and mutual savings banks?

(4) The FDIC is also interested in the extent of disintermediation which may possibly be brought about by shifting IRA funds from one investment to another or through the transfer of IRA funds from one institution to another.

Participants are generally permitted to transfer from one IRA to another once every three years without incurring the 10 per cent tax penalty. This is due to the portable feature of IRA's and will presumably involve the actual movement of IRA funds between institutions. Accordingly, the FDIC is interested in the potential effects of such transfers on the level of deposits in financial institutions.

(5) Finally, the FDIC is considering the question of allowing a new type of deposit for IRA funds. This deposit might have the following characteristics:

(a) The maximum allowable rate of interest would increase over time so that a bank would be permitted to pay higher rates of interest on IRA deposits that remain in the bank for correspondingly longer periods of time;

(b) an IRA participant nearing retirement would be allowed to

convert an existing long-term deposit to an "IRA Payout Certificate" that would permit the participant to receive periodic payouts at either a reduced interest penalty or no penalty at all in exchange for the participant's commitment to retain IRA funds on deposit for a specified period of time.

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