

NORTHWESTERN Banker Newsletter

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September 22, 1975

Fed Issues Credit Card Regulations

New regulations to protect credit card holders against billing errors and shoddy merchandise have been issued by the Federal Reserve System to become effective October 28. The Federal Reserve was directed by Congress to draw up such regulations to implement Public Law 93-495 passed last year by Congress, titled Fair Credit Billing Act.

The regulations continue the erosion of the "holder in due course" doctrine that has been taking place for a long period of time. The American Bankers Association responded earlier this year to the Fed's invitation for comment on proposed regulations issued last May, and on August 18 submitted a 72-page document responding to each specific section of the regulation with comments or suggestions.

Among the provisions of the regulation are these:

1. Credit card companies may be held accountable by credit card users for the quality and serviceability of merchandise purchased by the card holders. The "holder in due course" doctrine is eliminated, thus negating or tempering the rule of law under which customers could be held liable for bills to creditors, even when the credit was used to buy goods which turned out to be unserviceable.

2. Alleged errors in bills for credit cards or open-end credit, such as checking account loans, are subject to specific procedures for resolution. Customers have 60 days to notify the lender of a contested billing. The lender must correct or challenge the alleged error in 90 days or forfeit the amount in dispute.



Before this could take place, three pre-existing conditions would have to be met: A) The purchase price must be in excess of \$50.00. B) The purchase must be made in the cardholders state or within 100 miles of cardholders current mailing address. C) The cardholder must have made a good faith attempt to return the merchandise or reconcile the dispute with the merchant.

A number of options are listed in the regulation for the customer and the bank, with specific time frames for action.

3. An important point is includ-

ed in regard to customers who pay cash rather than use a credit card. Credit card companies may not restrain merchants from offering discounts to these cash customers. Merchants generally now pay from 2% to 5% discount on the total volume of credit card transactions, and many cash buyers feel they should receive a similar discount.

4. Credit issuers may not cancel a customer's account or file an adverse report on the customer's credit rating while a dispute is in progress.

5. All issuers of credit cards must notify every cardholder (at least active ones) of his or her rights under the new law. This Statement of Rights, contained in the Federal Reserve regulation must be provided to cardholders within one billing cycle after October 28.

In 1973, the latest year for which complete figures are available, the ABA reports Americans used their bank cards 632.5 million times, a average of more than three times for every man, woman and child in the U. S., and 1973 volume was up about one-third over the previous year. About 1,500 banks actually issue cards and operate their own plans. The average card purchase is about \$20, and the average outstanding balance is \$280.

Full details of the Federal Reserve regulation are expected to be in the hands of all lenders at any early date.

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Iowa News

ADAIR: Gerald L. Nordbrock and Bernard B. Smith of Gothenberg and Lexington, Nebr., respectively, have purchased the interests of Frank L. Farrar, Robert R. Kruger, and Donald E. Kearney in the Exchange State Bank here. Mr. Nordbrock replaces Mr. Kearney as president and has also been named chairman. Mr. Smith was elected to the board.

DES MOINES: Robert E. Leech has been appointed vice president-trust for Brenton Banks, Inc., and will be responsible for coordination of all trust activities for the 17 Brenton banks.

DUBUQUE: The Federal Reserve has approved the application of Banks of Iowa, Inc., Cedar Rapids bank holding company, to take control of the Key City Bank & Trust Co. here.

IOWA CITY: Henry T. Rutledge, chairman of Northwest Bancorporation of Minneapolis, Minn., and Earl W. Nelson, president of Associated Bank Corp. here, have announced discussions of the acquisition of Associated by Northwest. Associated Bank Corp. owns a leasing company in Iowa City. It has majority control of Hawkeye State Bank here; Iowa Trust and Savings, Estherville; Community State, Clear Lake; First Trust and Union Savings, Sigourney; County Savings, Margo, and Kalona Savings.

BLOOMFIELD: Davis Co. Savings Bank held open house Sunday, Sept. 21 to observe its 75th year.

DES MOINES: Bankers Trust Co. is scheduled to move into its new building, Friday, Sept. 26. Open houses will be held in October.

DES MOINES: Richard Buenneke has been named executive vice president of Capital City State Bank and will have general responsibility for overall bank operations.

SIOUX CITY: First National Bank has received permission to open a branch banking facility in Morningside.

WYOMING: Citizens State Bank will hold an open house in its remodeled and expanded facilities on Sunday, Sept. 28, from 1:30 to 4:30 p.m. Kirk-Gross Company of Waterloo was the architect and general contractor.

EMMETSBURG: James H. Crane has been elected president of the Palo Alto County State Bank. He joined the bank in 1960.

Nebraska News

NORTH PLATTE: William C. Deitemeyer has been elected president and chief executive officer of The First National Bank and Trust Company. He formerly served as executive vice president.

OMAHA: The Omaha National

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National Bank of Waterloo

Bank on September 12 transferred \$6 million from earnings to loan loss reserve. This anticipates additional loan losses, primarily from credits extended for the development of the recreational facilities at Devil's Nest in northeastern Nebraska. The bank initiated foreclosure proceedings on the real estate loan to Devil's Nest Development Company in late July. The after tax effect is an indicated reduction of the bank's and Omaha National Corporation earnings to a range of \$1.5 to \$2 million, compared to \$4,400,000 earned by the corporation in 1974. No change in dividend policy is presently anticipated.

Illinois News

ADDISON: Donald E. Carroll has been named vice president in charge of the marketing department of the Heritage Bank.

CHICAGO: Raymond J. Wojnar has been named president of the All American Bank. Previously he was executive vice president of the Addison State Bank.

LIBERTYVILLE: Robert R. Wallace, 39, has been named president and a director of Libertyville National Bank effective

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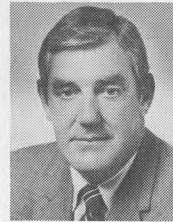
John R. Cornwall, Marketing Director

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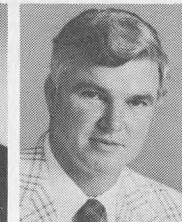
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Edwin B. Lewis
234-2625

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tive October 1 and Daniel G. Priske has been elected chairman.

Minnesota News

CLOQUET: Janel L. Johnson has been promoted to auditor of the City National Bank.

PENNOCK: Earl and Gary Geiger have purchased controlling interest in the State Bank of Pennock from W. R. Westrom, former president, who will devote his full time to the W. R. Westrom Realty and land development business. Gary Geiger is the incoming president. Also announced was the appointment of H. C. Slagerman as executive vice president and the promotion of Dale Beliveau to vice president. Mr. Slagerman previously was president of the State Bank of Buffalo Lake. Mr. Beliveau joined the bank in 1971 as cashier.

WORTHINGTON: Herb Rockne has been promoted to cashier in operations and general banking service at the First National Bank. David J. Lynn has been promoted to assistant cashier and controller.

North Dakota News

Dates and locations of the North Dakota group meetings are:

Oct. 14—Devil's Lake, Artclare Motel.

Oct. 15—Williston, Elks Club.

Oct. 16—Dickinson, 1st National for business meeting; Elks Club for social hour and dinner.

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Oct. 17—Jamestown, Ramada Inn.

Program details will be released following the executive council meeting September 25.

BISMARCK: William Pich has been appointed vice president and agricultural representative of the First National Bank and Trust Co.

MANDAN: William Clairmont, Bismarck contractor, and Hayden H. Thompson, owner of Pioneer State Bank of Towner, have purchased controlling stock of the Mandan Security Bank. Mr. Clairmont was elected chairman, and L. F. (Bert) Gerhart, executive vice president of the bank, was elected president. Mr. Gerhart succeeds J. G. McClintock as president. Mr. Gerhart will succeed A. P. Rausch as director. Mr. Rausch resigned from the board after 15 years of service. Mrs. Hayden H. Thompson was elected to the board.

FOR SALE

One Model 300-07 Cummins electric check cancellor in use less than one year and one used Diebold vault ventilator in good condition. Community Savings Bank, Edgewood, Iowa 52042. Phone: 319/928-6428.

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WANTED

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Bank of North Dakota
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- #3063—Commercial and Installment Loans, operations and investments; 2nd man in \$10MM Minnesota bank \$15,000
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- #3053—Agri-representative; 27, married, degree. Livestock marketing and management background \$12,000
- #3055—Agri-Loan Dept. Head; 47, married, agri-economics degree; 20 yrs agri-loan exper. in 3 banks \$24,000

Auditors, controllers, cashiers, trust officers, mid-management, operations, and clerical are available, as well as correspondent officers, C.E.O.'s and some commercial loan specialists. Describe your particular situation. We can help. Remember—

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