

NORTHWESTERN Banker Newsletter

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Concern over Financial Institutions Act

The Senate Banking Committee's much delayed Financial Institutions Act report indicates that its Democratic members may be having second thoughts about the massive restructuring proposed for depository institutions.

While reiterating their support for the bill (S. 1267) as approved unanimously by the Committee early in October, the eight have filed "additional views" expressing their "reservations and concerns" that the measure might not improve the flow of funds for mortgage credit.

"The net impact of the legislation on housing is difficult to assess because some of its provisions would have a beneficial effect and some would have an adverse effect," the statement says. "Because of the numerous variables involved, it is impossible to predict with certainty that the Financial Institutions Act will have a favorable effect on the flow of funds for mortgage credit."

The statement is signed by Committee Chairman William Proxmire (D.-Wis.) and members John Sparkman (D.-Ala.), Harrison A. Williams (D.-N.J.), Thomas McIntyre (D.-N.H.), Alan Cranston (D.-Calif.), Adlai Stevenson (D.-Ill.), Joseph Biden (D.-Del.) and Ralph Morgan (D.-N.C.).

Additional Views

The report (S. Rep. 94-487) also contains separate "additional views" filed by ranking minority member John Tower (Tex.) proposing an amendment when the measure reaches the Senate floor to delay the proposed lifting of the ban on the payment of interest on checking accounts. He said adequate attention had not been given to the impact of the prohibition's repeal.

The main provisions of the bill that would adversely affect the availability of mortgage credit, the eight Democratic members said, are those broadening the powers of savings and loan associations to invest in assets other than residential mortgage loans.

The bill would give these institutions new power to invest in consumer loans, commercial paper, corporate bonds and state and local bonds, and would remove certain percentage limitations on investment in nonhousing loans.

A Department of Housing and Urban Development study has estimated that the combined effect of the new investment powers will be to reduce the percentage of S&L funds invested in residential mortgage loans by about 6 to 8 percent. This would involve about a \$15 to \$20 billion withdrawal from the residential mortgage market.

Mortgage Credit

However, the senators said that their provisions in the bill would have a positive effect on the availability of mortgage credit, including a new mortgage tax credit provision and increased deposit powers for thrift institutions.

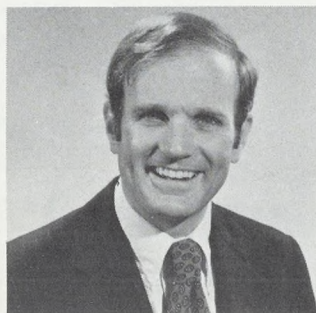
The basic tool for mediating any adverse effects the bill may have on housing is the authority to set limits on the rates of interest payable on deposit accounts—Regulation Q. The bill carries language providing that one of the objectives of Regulation Q authority is to "maintain appropriate levels of mortgage credit."

Section 108 of the bill would provide guidance to the regulatory agencies in establishing deposit rate ceilings over the next 5½ years. It states that the authority to set rate ceilings "shall be exercised in a manner which prevents disintermediation and maintains appropriate levels of mortgage credit."

The report said "Disintermediation which Section 108 seeks to prevent is intended to apply to savings and loan associations and mutual savings banks as a class of financial institutions as well as to the aggregate of all depository financial institutions. In other words, the financial regulatory agencies must be concerned not

FINANCIAL ACT ...

[Turn to Page 3, please]



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Issues CBCT Ruling

Federal District Court Judge Hubert Will ruled in his Chicago court last Wednesday, December 10, that under the National Banking Act a bank may legally provide only withdrawal service through Customer Bank Communication Terminals (CBCTs). Judge Will said section 36f of the Act defines a branch as a place for cashing checks, making loans and accepting deposits. Branch banking is prohibited under Illinois state law; therefore, he ruled these functions are not permitted as part of CBCT service. Since withdrawals are not mentioned in 36f, Judge Will said, then these may be made.

Judge Will said the final form of his ruling will be forthcoming in a few days but gave the preliminary ruling on December 10 as he had promised earlier he would do. The judge stated he is in accord with the aims of banks trying to provide broadened service, that he totally disagrees with the state branching laws and considers the McFadden Act as having outgrown its usefulness, but that he can only rule on the merits of a case in light of the present law.

The suit was filed by the Illinois Attorney General against Continental Bank of Chicago, which had placed several unmanned, automatic teller machines in downtown locations and planned to have more than 100 EFT terminals located in Dominick Food Stores in metropolitan Chicago.

Iowa News

ANITA: Steve Norden has joined the Anita State Bank as assistant vice president. Mr. Norden, a native of Lincoln, Nebr., has been assistant cashier at the Peru State Bank in Nebraska.

DES MOINES: The election of J. Merrill Anderson as president of Central National Bancshares, Inc., has been announced by B. C. Grangaard, chairman. Mr. Anderson has been president of Iowa Farm Bureau Federation and its affiliated companies since 1963, and a director of Central National Bank and Central National Bancshares for several years.

DES MOINES: On Monday, Dec. 15, the Iowa-Des Moines National Bank will sponsor the 17th annual Iowa Business Trends Meeting at the Hotel Fort Des Moines. Subjects to be discussed include agriculture, automobile industry, consumer spending on durable goods, rubber, transportation and the economy. The meeting is from 11 a.m. to noon in the State Ballroom. Luncheon is from 12:15 to 1:30 p.m. in the Grand Ballroom.

DAVENPORT: Dean R. Jacquin has been appointed assistant cashier at First Trust and Savings Bank.

MARSHALLTOWN: Ervin Motors has received permission to acquire 56.7% of the voting shares of the Commercial State Bank.

MINEOLA: Controlling interest in the Mineola State Bank has been sold to Floyd Foreman, president of the Oakland Savings Bank, by L. G. Kruse. No changes in personnel are contemplated.

OSCEOLA: Dean Prantner has joined the Osceola State Bank as vice president. Mr. Prantner comes originally from Austin, Minn., and has had several years of banking experience.

RIPPEY: Walter K. Anderson has been named a director of the Rippey Savings Bank to fill the unexpired term of R. M. Lofstedt. Mr. Anderson, cashier, has been with the bank for the past 29 years.

TRAER: Traer Shares, Incorporated has received permission to acquire 80% or more of the voting shares of the Farmers Savings Bank here.

WILTON: Wilton Savings Bank recently opened its new drive-in facility at the junction of Highways 6 and 38 at the west edge of town.

Nebraska News

OMAHA: Coralyss Krohn has been named manager of the instalment loan department of the Douglas County Bank & Trust Co. Mrs. Krohn, with the bank for six years, formerly was a loan officer in the commercial loan department.

SCOTIA: Larry Hurlburt has been named assistant cashier at the State Bank of Scotia. Mr. Hurlburt most recently was with Household Finance Corp., in Grand Island as assistant manager, instalment loans.

YORK: The First National Bank has announced the addition of Merlyn Minderman to its staff as

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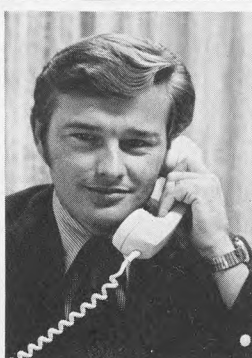
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vice president and senior loan officer. Mr. Minderman formerly was with the Gateway Bank at Lincoln.

Minnesota News

MILTONA: Jon F. Schmid, cashier of the First National Bank of Le Center, has purchased controlling interest in the Milona State Bank and has been elected its president.

ST. PAUL: Roger R. Palmer has been named senior vice president of the First National Bank. Elected assistant vice presidents are Gregory H. Bronk, Jerome J. Borovansky, Bruce W. Hebel, Clayton L. Johnson, Eric M. Kehle, and Richard E. Pringle.

VIRGINIA: Charles A. Mausbach has joined the First National Bank as assistant manager, timepay department. He formerly was instalment loan officer at the Wahpeton National Bank, N. D.

WILLMAR: First National Bank has announced the election of Linda Mickelson as assistant cashier, Richard Lambert as assistant vice president and Fred Tesch as auditor.

Illinois News

SAUK VILLAGE: A permit to organize has been issued to the Union Bank of Surreybrook, Sauk Trail and Jeffery Street, Surreybrook Plaza. The state bank's total capitalization of \$1,200,000 will consist of \$480,000 in both capital and surplus and \$240,000 in reserve. The 48,000 shares of stock will have a par value of \$10 each.



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VILLA PARK: A permit to organize has been issued to the Bank of Villa Park, 305 W. St. Charles Road. The state bank's total capitalization of \$1,250,000 would consist of \$500,000 in both capital and surplus and \$250,000 in reserve. Organizers are John A. Swett, Lester J. Bergmann, Lombard; Robert V. Montgomery, Hinsdale; Richard E. Hamlin, Jack E. Bowers, Downers Grove; Edwin D. Pehrson, Lake Forest; C. J. Gauthier, Oak Brook; Vernon G. Dorn, Richard J. Thomas, Clarence E. Damhorst, John S. Teschner, Villa Park.

Wyoming News

JACKSON: Richard W. Anthony has joined the First National Bank as an instalment loan officer, according to Mel Hutchings, bank president. Mr. Anthony comes to Jackson from Salt Lake City, where he was a loan and operations officer with the Valley Bank and Trust.

North Dakota News

BUFFALO: First Buffalo Holding Company has received permission to acquire 90% of the voting shares of First State Bank here.

PARSHALL: The application of Peoples Bank and Trust to increase its capital stock from \$700,000 to \$900,000 by preferred stock has been approved.

FINANCIAL ACT ...

[Continued from Page 1]

only with the overall level of disintermediation, but with the distribution of deposit flows between commercial banks and mortgage oriented thrift institutions."

Section 108 also would reinforce the current policy of different deposit rate ceilings for commercial banks and thrift institutions by directing the financial regulatory agencies to exercise their authority to set deposit rate ceilings in a manner which "maintains appropriate levels of mortgage credit."

The senators said that they are "strongly" opposed to removing the differential unless there was clear evidence that such an action would not adversely impact the availability of mortgage credit.

S. 1267 contains many of the recommendations of the President's Commission on Financial Structure and Regulation (the Hunt Commission, which made its final report in 1971).

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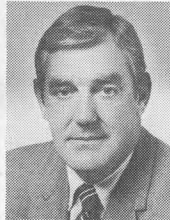
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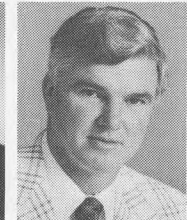
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