

NORTHWESTERN Banker Newsletter

Vol. 5 No. 14

Des Moines, Iowa

August 2, 1976

Fed Plans Hearing on Equal Credit Law

The Board of Governors of the Federal Reserve System has proposed for public comment a revision of its Regulation B, to implement the 1976 amendments to the Equal Credit Opportunity Act. The Board will hold a hearing on its proposals August 12-13, and will receive written comment on them through September 1.

The 1976 amendments prohibit discrimination in extensions of credit based on race, color, religion, national origin, age, receipt of income from public assistance programs and good faith exercise of rights under the Consumer Credit Protection Act. The amendments become effective March 23, 1977. The original ECOA, effective last October 28, prohibited discrimination on the basis of sex or marital status.

The Board's Regulation B and its proposed revision were written at the direction of Congress. The proposed revision would supersede existing regulations but not until next March 23.

Among principal provisions are these:

Sex and marital status: Provisions prohibiting discrimination continue essentially unchanged.

Applications: The Board pro-

poses a model form which, if used by creditors, would assure them of being in compliance. Creditors may continue to design their own forms, or revise the model form, but must bear the responsibility for being in compliance.

Adverse action: A new definition in Regulation B, this describes actions that would require a creditor to provide an applicant with a statement of reasons for an adverse action. The Board has proposed definitions of what does and does not constitute an adverse action.

- Adverse action has occurred if a creditor refuses to grant credit in an amount and on terms acceptable to the applicant; if a creditor terminates an account or makes an unfavorable change in the terms of an account (unless it affects the entire class of accounts); if an applicant has intentionally informed a creditor that the applicant wants his or her credit limit to be increased and the creditor refuses.

- Adverse action has not occurred if the applicant accepts amounts and terms of credit different from those applied for; if a creditor's action is due to inactivity, default or delinquency by an applicant; if a creditor who does not raise an applicant's credit limit has

not been made aware that the applicant wished to increase the limit (e.g., POS transaction that exceeds a pre-authorized credit limit).

Modification of action and statement of reasons: It is proposed that whenever an adverse action has been taken the applicant should receive notice of the action, a statement telling the applicant of rights under ECOA and a statement of specific reasons for the adverse action (or disclosure of the applicant's right to get such an explanation). A change from the existing regulation is that a statement of rights should be provided only to persons against whom an adverse action has been taken, rather than supplying it to all applicants.

Retention of records: Proposed retention period is 25 months, since the amended Act establishes a statute of limitations of 24 months.

Age: The Board proposes that elderly applicants capable of contracting must not be assigned a lower score, on account of age, than applicants who get the best score for age. If a creditor assigns the highest value for age to applicants of 55 to 60 years, the 65-year old applicant must get at least as good a score on account of age as the 55-60 age bracket. Advancing age

EQUAL CREDIT
[Turn to page 5, please]

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Nominated as Comptroller

Stanley E. Shirk, 60, who was the partner in charge of banking practice since 1953 for Peat, Marwick, Mitchell and Company in New York before his retirement last December, has been nominated by President Ford to succeed James E. Smith for a full five-year term as Comptroller of the Currency.

Mr. Smith resigned earlier in the summer, effective July 31. His term would have expired March 23, 1977.

Iowa News

ALGONA: Bill Mullins has joined The Security State Bank as executive vice president. He has been with Valley National Bank of Phoenix and Yuma, Ariz., for the past 12 years. Other changes at the bank include: Gary Major, vice president, named vice president and cashier; Fred A. Diekmann, Jr., cashier, named assistant vice president; Dean Schlapia, named vice president and senior loan

officer, and Terry Vaudt, named assistant operations officer.


BURLINGTON: Burlington Bank & Trust Co. has changed its name to Hawkeye Bank & Trust. The name change was made in part because of the recent acquisition of the New London State Bank and the Hillsboro Savings Bank. Both of these banks will also adopt the new name and will be offices of Hawkeye Bank & Trust, Burlington.

FORT DODGE: Funeral services were held last week for James Underbrink, son of Earl Underbrink, president, First National Bank. Mr. Underbrink's son was a student at St. John's University, Collegeville, Minn. He reportedly suffered a kidney failure in May and had undergone a transplant from Mrs. Underbrink.

Nebraska News

BELLEVUE: Bank of Bellevue has announced the election of Peter J. Bina to cashier and Lyle M. Muller to assistant cashier.

LINCOLN: The Federal Reserve Board has approved an application by United Bancshares of Nebraska, Inc., here to become a bank holding



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JOHN RODGERS WELCH
Vice President

company by acquiring the First Westroads Bank, Inc., Omaha. The purpose of the application, the Fed said, is to facilitate the eventual ownership transfer of the Omaha bank to the shareholders of NBC Co., Lincoln.

OMAHA: J. D. Clemmer, executive vice president of Southwest Bank, has been elected to the board. Promotions announced include De Emmett Zerbe to marketing officer; Barbara Evans to assistant cashier in charge of new accounts and Alice Roy to assistant loan officer, instalment loans.

Minnesota News

Elmer L. Andersen, former Minnesota governor, former University of Minnesota regent and past president and chairman of H. B. Fuller Co., St. Paul, will keynote the Independent Bankers of Minnesota convention August 3. The group's 15th annual convention is scheduled for August 1-4 at the Registry Hotel in Bloomington.

Tom Kelm, administrative assistant to Minnesota Governor Wendell R. Anderson, will address the convention Tuesday morning on legislation and administration policy regarding the banking industry.

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NEW ISSUE

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OWATONNA, MINNESOTA

Dated: August 1, 1976

General Obligation Bonds

Denomination: \$5,000

Both principal and semiannual interest (February 1 and August 1, first coupon due February 1, 1977) payable at Northwestern National Bank of Minneapolis, Minneapolis, Minnesota.

IN THE OPINION OF COUNSEL INTEREST ON THESE BONDS IS EXEMPT FROM ALL PRESENT FEDERAL INCOME TAXES.

MATURITIES

\$700,000 General Obligation Water Revenue Bonds

Amount	Due	Coupon	Yield	Amount	Due	Coupon	Yield
\$ 20,000	February 1, 1978	3.75%	3.75%	\$ 40,000	February 1, 1987*	5.25%	5.25%
40,000	February 1, 1979	3.10	3.10	40,000	February 1, 1988*	5.40	5.40
40,000	February 1, 1980	3.25	3.25	40,000	February 1, 1989*	5.60	5.60
40,000	February 1, 1981	3.40	3.40	40,000	February 1, 1990*	5.75	5.75
40,000	February 1, 1982	3.60	3.60	40,000	February 1, 1991*	5.90	5.90
40,000	February 1, 1983	3.75	3.75	40,000	February 1, 1992*	6.00	6.00
40,000	February 1, 1984	3.90	3.90	40,000	February 1, 1993*	6.00	6.00
40,000	February 1, 1985	5.00	5.00	40,000	February 1, 1994*	6.10	6.10
40,000	February 1, 1986	5.10	5.10	40,000	February 1, 1994*	6.20	6.20

*Optional February 1, 1986 at 100%

\$1,555,000 General Obligation Bonds

Amount	Due	Coupon	Yield	Amount	Due	Coupon	Yield
\$ 40,000	February 1, 1977	4.00%	3.40%	\$145,000	February 1, 1983	4.75%	4.75%
40,000	February 1, 1978	4.00	3.75	145,000	February 1, 1984	4.90	4.90
175,000	February 1, 1979	4.25	4.10	145,000	February 1, 1985	5.00	5.00
145,000	February 1, 1980	4.25	4.25	145,000	February 1, 1986	5.10	5.10
145,000	February 1, 1981	4.40	4.40	145,000	February 1, 1987*	5.25	5.25
145,000	February 1, 1982	4.60	4.60	140,000	February 1, 1988*	5.40	5.40

*Optional February 1, 1986 at 100%

LEGALITY TO BE APPROVED BY LE FEVERE, LEFLER, PEARSON, O'BRIEN AND DRAWZ, ATTORNEYS, MINNEAPOLIS, MINNESOTA.

Owatonna, the county seat of Steele County, is located 60 miles south of Minneapolis-St. Paul on Interstate highway No. 35 and U. S. highways No. 14 and 218. Agriculture is important to the economy of Owatonna. Farms in Steele County are currently selling at prices of about \$1,200 to \$1,500 per acre and average in size of 160 acres. Major employers include: Owatonna Tool Company; Hydraulic Equipment (1,050 employees); Josten's, Inc. (649 employees, class rings & diplomas); and Federated Insurance Companies (520 employees). Transportation is provided by the Rock Island, the Chicago and Northwestern, and the Chicago, Milwaukee, St. Paul and Pacific Railroads; eleven truck lines; and by the Jefferson and Greyhound Lines. There are three banks and two savings and loan associations in Owatonna with total deposits in excess of \$232,552,000. Of the State's 87 counties, Steele County's yields per acre were second highest for wheat and hay yields and seventh in corn and soybean yields per acre.

The General Obligation Revenue Bonds are being issued pursuant to Minnesota Statutes, Chapter 444.075 to provide funds for water utility improvements. The major portion of the bond proceeds will be used to finance construction of a new well and a portion of these bond proceeds will also be used for distribution system improvements which are not normally assessable. The General Obligation Bonds are being issued pursuant to Minnesota Statutes, Chapter 429, to finance construction of streets, curb and gutter, storm sewer, sanitary sewer and watermain extensions, grading and gravel, utility service connections and other related construction in the City. These bonds will be paid from receipts of special assessments against benefitted property by the improvements and from ad valorem tax levies; the City's full faith, credit and taxing powers are pledged to their repayment.

FINANCIAL STATEMENT

Market value of taxable property, 1975	\$161,068,251
Assessed value of taxable property, 1975	44,477,971
Net direct debt, including this issue	2,304,259
Total net direct, overlapping and underlying debt	4,633,107
Population, 1976 estimate: 16,965	
	Net direct debt per capita: \$136.00
	Total debt per capita: 273.00

Tax collections have approximated 100% of taxes levied for the last four years.

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try in the state. State Banking Commissioner Robert A. Mampel will also address the convention.

Illinois News

CHICAGO: Philip Lewin, chairman and chief executive officer of Drovers National Bank, has resigned effective July 22 to accept a key position with another financial institution. George Barr, president of Drovers, will serve as chief executive officer. Mr. Lewin's plans will be announced soon.

ST. CHARLES: A charter has been issued to The Dunham Bank at Dunham Road and Route 64. 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. Officers are Eugene H. Ruark, chairman, and Arthur V. Rostron, president.

Montana News

HELENA: A decision is not expected until mid-August from the Montana Department of Revenue following its July 20 hearing to receive testimony from the Montana Bankers Association regarding the Montana bank share tax. George Bennett, MBA legal counsel, testified that federal law exempts U.S. Governments from state taxation. Since these governments in most banks exceed the bank's capital, the net effect, if deductible, would be to render the taxation meaningless—the same as repealing the law.

EQUAL CREDIT [Continued from page 1]

could be used as a favorable element.

A creditor may consider age in a

properly derived credit system—credit scoring for age, but sets ground rules for arriving at such a scoring system.

Creditors' request for information: In addition to the prohibitions against seeking information based on sex and marital status, two new rules are proposed: 1. A creditor may not request information on an application as to race, color, religion, sex or national origin of the applicant or others associated with him or her. 2. May not request information concerning the exercise by the applicant of any right under the Consumer Credit Protection Act.

Exemptions: The amended Act provides that the Board may exempt from one or more provisions of the Act credit transactions "not primarily for personal, family or household purposes" if the Board determines such an exemption would not interfere with carrying out the purposes of the Act. The Board consequently requests comment on a series of questions as to what classes of credit transactions, if any, should be exempted. These questions include: Should an exemption be related to the amount of a borrower's or creditor's assets? Or to the amount of the transaction (example, an amount of \$200,000 or more or \$500,000 or more)? Or to

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the creditor's volume of business? What other factors are relevant?

Inconsistent state laws: The Board is authorized to determine if state laws are inconsistent with federal laws or regulations. The Board proposes that all state laws on credit discrimination should be considered inconsistent until reviewed by the Board. The Board will set criteria and provide procedures by which state officials may seek review of their laws.

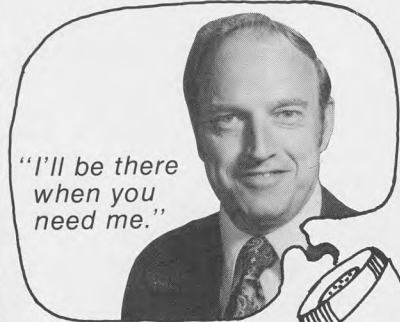
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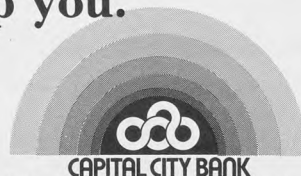
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