

NORTHWESTERN Banker Newsletter

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Des Moines, Iowa

September 6, 1976

ABA Goes to Supreme Court on CBCTs

A recent lower-court ruling would "hobble commercial banks in freely experimenting with the delivery of electronic funds transfer services" to their customers and would deny the public the benefits of expanded competition, the American Bankers Association contends in a brief filed August 25 before the Supreme Court.

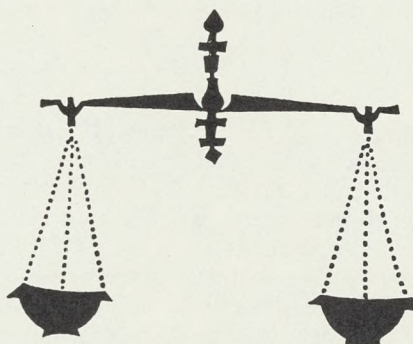
The brief was filed in support of a petition by the Acting Comptroller of the Currency that the Supreme Court hear an appeal of lower-court rulings that off-premises automated teller machines, or customer bank communication terminals (CBCTs), were bank branch offices and therefore subject to federal and state laws governing branches.

"The development of CBCTs represents a significant technological advance unforeseen in 1927 when Congress amended the National Bank Act to permit national banks to branch," the ABA's brief argued. In holding that the definition of "branch" in the National Bank Act covered CBCTs, the lower court looked exclusively to the principle of "competitive equality" between national and state banks.

That principle was not the motivating factor behind Congress' passage of the National Bank Act, ABA asserted. "The mistaken

reliance" of the lower court on that principle led it to "strain the language of the statute" and "to disregard serious practical consequences of its holding, including the application of capital requirements to CBCTs," the brief states.

The issues presented in the case, ABA says, "are at a critically



important stage as banks seek to automate a wide range of banking transactions ... The use of CBCTs promises savings to consumers, merchants and banks in excess of \$1 billion per year."

If the lower court's decision is allowed to stand, it continues, "the economics of CBCT development will be drastically affected. Other modes of delivering bank services may also be called into question by the sweeping language of the (lower) court...." Those modes include electronic terminals for use

by corporate customers and other off-premises activities of national and state banks, such as mortgage banking and data processing.

ABA noted that while commercial banks compete with each other, they also compete with other types of financial institutions, including savings banks, savings and loan associations, credit unions, finance companies and retail merchants, almost none of which are subject to the type of restrictions on the use of CBCTs which the lower-court ruling would impose on banks.

"If the outcome of the present action has the effect of prohibiting some banks from utilizing CBCTs (for example, those in unit banking states), the result will be an obvious impairment of the ability of those banks to compete with other institutions which provide similar financial services but offer the added convenience of electronic delivery systems," ABA warned.

Noting that "the ultimate victim of this type of constraint on competition is the consumer," ABA's brief declared: "More significant than any competitive disadvantage imposed upon banks ... is the disadvantage to society which will result from restricting banks from offering CBCT services."

The Association also said it intends to file an additional brief in the case if the Supreme Court decides to hear the appeal which has been requested.

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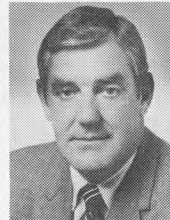
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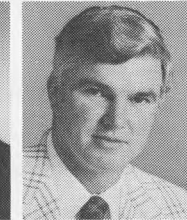
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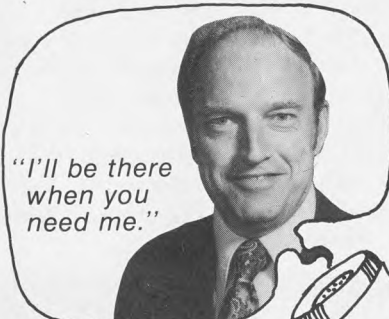
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National Bank of Waterloo

Iowa News

The Iowa Bankers Association's retail banking (instalment loan) committee is sponsoring its 22nd annual conference at the Adventureland Inn in Des Moines (Altoona), September 15-16. Current developments and vital updating on the following areas of

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Ben Elders,
Senior Vice President

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banking will be discussed: collections—1976 style, direct and indirect lending, and forms and documentation.

DES MOINES: Edwin A. Langley has submitted his resignation as chairman of the board and chief executive officer of Capital City State Bank, effective September 1. Mr. Langley said he plans to pursue personal interests and his future plans will be announced at a later date. He joined Capital City Bank as chairman in January, 1974.

DES MOINES: Thomas H. Huston, Iowa superintendent of banking, ruled August 27 that state-chartered credit unions may not issue share drafts to be used like checks. He stated, "Expansion of 'share draft' activity beyond that presently authorized ... will necessitate the enactment of enabling legislation. Such drafts are not checks nor should they be used like checks."

The ruling resulted from a petition filed June 30 by the Iowa Bankers Association for a declaratory ruling "to prohibit any further use of 'share drafts' by Iowa state-chartered credit unions." The Iowa Credit Union league, many of whose members had been using share drafts as checks since last January, has until September 26 to

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decide if it will appeal Mr. Huston's ruling to District Court.

LISBON: Lisbon Bank & Trust Company has announced the election of Harry W. Sizer, Jr., as vice president and Alberta Reid as cashier of the bank. The elections are due to the death of Leon G. Morningstar, vice president and director. Mr. Morningstar and his wife, Dorothy, were victims of the Big Thompson Flood disaster in Colorado.

WEBSTER CITY: Richard D. Hare, senior vice president, has been elected to the board of First State Bank.

Nebraska News

LINCOLN: More than 800 bankers and their spouses are expected to attend the 16th annual Correspondent Bank Conference hosted by

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NEW ISSUE

\$4,500,000

CITY OF COUNCIL BLUFFS, IOWA

Hospital Facility Revenue Bonds, Series 1976
(Jennie Edmundson Memorial Hospital Project)

MOODY'S: [Prov.] "A1"
S & P: "A+"

Dated: July 1, 1976

Due: July 1, as shown below

Principal and semiannual interest (January 1 and July 1 of each year commencing January 1, 1977) will be payable at the principal office of the Trustee, Council Bluffs Savings Bank, in Council Bluffs, Iowa. The Bonds will be issued as coupon bonds in the denomination of \$5,000 each or as fully registered bonds without coupons in the denominations of \$5,000 or any integral multiple thereof.

IN THE OPINION OF COUNCIL INTEREST ON THESE BONDS IS EXEMPT FROM ALL PRESENT FEDERAL INCOME TAXES, IOWA FRANCHISE TAX AND ALL PROPERTY TAXATION IN THE STATE OF IOWA.

Maturity				Maturity			
Amount	July 1	Coupon	Price	Amount	July 1	Coupon	Price
\$ 75,000	1979	4.50%	100%	\$130,000	1986	5.90%	100%
85,000	1980	4.75	100	140,000	1987	6.00	100
90,000	1981	5.00	100	150,000	1988	6.10	100
95,000	1982	5.20	100	160,000	1989	6.25	100
105,000	1983	5.40	100	175,000	1990	6.40	100
110,000	1984	5.60	100	185,000	1991	6.50	100
120,000	1985	5.75	100				
Maturity				Maturity			
Amount		July 1		Coupon		Price	
\$2,880,000		2001		7.40%		100%	

The Bonds will be subject to redemption prior to maturity as more fully described in the Official Statement. LEGALITY TO BE APPROVED BY CHAPMAN & CUTLER, ATTORNEYS, CHICAGO, ILLINOIS.

The Bonds are limited obligations of the City payable solely from and secured by an assignment and pledge of, loan repayments to be made by the Women's Christian Association of Council Bluffs, Iowa (the "Corporation"), under a Loan Agreement between the City and the Corporation and a Note executed and delivered by the Corporation pursuant to the Loan Agreement, and further secured by a mortgage on the real property of the Jennie Edmundson Memorial Hospital and a security interest in certain other assets of the Corporation.

Operating results (excluding contributions) for the Corporation for the fiscal years ended September 30, 1973, 1974 and 1975, stated as income available for debt service, and debt service coverage with respect to maximum debt service on the Bonds, are as follows:

For the Fiscal Year ended September 30

	1973	1974	1975
Income Available for Debt Service	\$ 704,199	\$ 774,753	\$ 837,369
Maximum Debt Service on the Bonds, Estimated	427,938	427,938	427,938
Debt Service Coverage	1.65	1.81	1.96

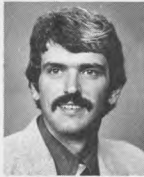
Project operating results (excluding contributions) for the Corporation, based on the assumptions and projections contained in the Financial Feasibility Study, stated as income available for debt service, and debt service coverage with respect to maximum debt service on the Bonds, following the completion of construction of the Project, are as follows:

For the Fiscal Year ended September 30

	1978	1979	1980
Income Available for Debt Service	\$1,275,872	\$1,404,612	\$1,501,647
Maximum Debt Service on the Bonds, Estimated	427,938	427,938	427,938
Debt Service Coverage	2.98	3.28	3.51

These Bonds are offered only by means of the Official Statement, a copy of which is available upon request, and, only in such states in which these securities have been registered or qualified.

Supplement to NORTHWESTERN BANKER NEWSLETTER, 9/6/76.



BERNIE LATTYAK
Correspondent Officer

Bernie Lattyak
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FIRST NATIONAL BANK
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First National Lincoln September 24-25 at the Radisson Cornhusker Hotel.

Charles Leffler, vice president and head of the correspondent bank division, announced the following program format: Friday—Noon luncheon for men, addressed by Tom Osborne, Nebraska football coach; separate luncheon for women. Afternoon speakers include Robert Barnett, chairman of the FDIC, and Pierre Rinfret, president, Rinfret-Boston Associates, New York. Evening reception and banquet, followed by visiting on Top of the First. Saturday—Ag panel of livestock and grain specialists, moderated by Dr. Ervin Omtvedt, head of the UN-L ag college. After the 11 a.m. buffet luncheon, adjourn to the University of Nebraska stadium to watch Big Red's conquest of Texas Christian University!

OMAHA: Kay Corp. of New York recently announced it is selling the Omaha stock yards for \$3.5 million to Canal-Randolph Corp. of New York, the largest stockyards operator in the nation. Kay Corp. bought Union Stockyards Co. of Omaha in February, 1973. Kay reportedly

will absorb a loss of \$1.4 million this year because of this sale. Canal-Randolph's subsidiary, United Stockyards Corp., owns and operates 10 stockyards, including those in Sioux City, Ia., and St. Paul, Minn. A meeting was scheduled at an early date for approval of the sale by Kay stockholders.

Minnesota News

CROOKSTON: Sonja Lilliquist and Carol O'Neil have been elected assistant cashiers of the Polk County State Bank.

INTERNATIONAL FALLS: Mike Duepner has joined the First National Bank as vice president. He formerly was vice president, commercial lending, at National City Bank, Minneapolis.

Illinois News

CHAMPAIGN: About 350 registrants are expected for the Illinois Bankers Association's 30th annual Ag Credit Conference September 15-16 at the Ramada Inn here, according to Frank H. Rolf, president, IBA ag division and vice

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president, First National Bank, Decatur.

CHICAGO: A charter application for Eagle National Bank here has been disapproved. Anita M. Villareal is the agent.

Colorado News

The First National Bank, Fort Collins, has announced that it will seek review by the U.S. Supreme Court of a decision handed down recently by the 10th U.S. Circuit Court of Appeals that a customer bank communication terminal (CBCT) operated by the bank violates Colorado's prohibition against branch banking. The bank will request the 10th Circuit to allow the CBCT to continue operating until the case is reviewed by the Supreme Court.

Montana News

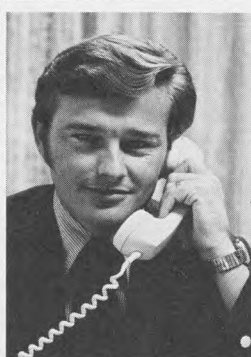
BILLINGS: The State Banking Board of Montana has authorized

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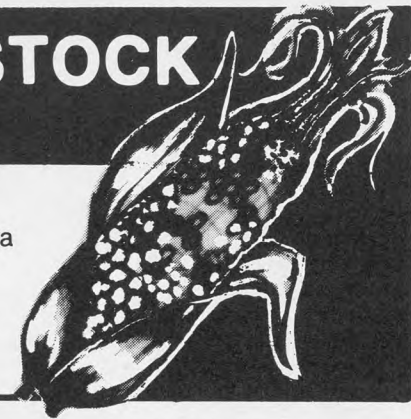
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the establishment of a new bank in Billings to be called the Rimrock Bank of Billings. The approval is conditioned on the bank getting federal deposit insurance and a paid-in capital structure of \$750,000.

BILLINGS: Ted L. Vanover has been promoted to assistant vice president in the instalment loan department of Security Bank, N.A. Lois M. Salsbury has been elected administrative officer.

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