

# NORTHWESTERN Banker Newsletter

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Des Moines, Iowa

September 20, 1976

## Attention Centers on Share Draft Question

The spotlight on credit union share drafts broadened both in scope and intensity in recent days.

In the midwest, attention had been focused strongly on the Iowa situation where a dozen credit unions have been issuing share drafts to be handled like checks since last January. The Iowa Bankers Association requested a declaratory ruling from the Iowa Superintendent of Banking on the matter. After a hearing in July, Iowa Superintendent Tom Huston issued his ruling August 26 stating that such share drafts were not authorized by state law governing Iowa chartered credit unions and, therefore, were not a permissible activity.

As expected, a suit was filed in Polk County District Court on September 9 by the John Deere Employees Credit Union of Waterloo and the Iowa Credit Union League, challenging the validity of Mr. Huston's ruling. No court date has been set.

In approximately two dozen states these share drafts have been issued by credit unions for a number of months. The Iowa case made the first such test on a state basis.

Meanwhile, the American Bankers Association and Tioga State Bank, Spencer, N.Y., brought suit

September 7 against the National Credit Union Administration in Washington, D. C., and its top officer, seeking the withdrawal of authorization by NCUA for share draft accounts for federally-chartered credit unions.



In the complaint filed in the United States District Court for the District of Columbia, ABA and the Tioga State Bank asked the court to declare NCUA's approvals of share draft and similar accounts for credit unions null and void and to issue a permanent injunction against the approval or offering of such accounts in the future.

The complaint argues, among other things, that:

- Commercial banks, by virtue of their state and national charters, are entitled to exclusive authority to conduct commercial banking business, including the offering of accounts for third-party payments, such as checking accounts. Ap-

proval of share draft accounts by NCUA has unlawfully allowed credit unions to engage in the business of commercial banking.

- The approval of share draft accounts by NCUA and their offering by credit unions violates the Federal Credit Union Act, since that law does not authorize such activities by credit unions.

- NCUA and its administrator, C. Austin Montgomery, violated the Administrative Procedures Act and usurped Congressional power to regulate commerce by approving share draft accounts for credit unions.

Some 296 federal credit unions, including at least one in direct competition with Tioga State Bank, have been authorized to offer share draft accounts, the complaint noted. Those accounts now contain some \$60,000,000 in unlawful deposits.

"Plaintiff Tioga State Bank and member banks of plaintiff American Bankers Association have lost and will lose assets, income and profits on all normal increments in checking account balances of those customers who have closed or diminished their checking account balances and opened share draft accounts, which accounts would not exist but for the actions of defendants," the complaint states.

**SHARE DRAFT** .....  
[Turn to back page, please]

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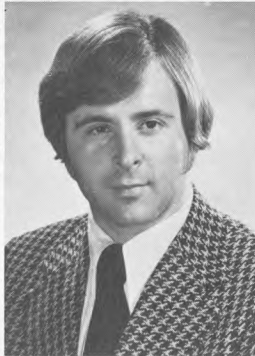


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### ABA Midwest Workshop On Operations, Automation

The American Bankers Association will hold the Midwest Regional Operations & Automation Workshop at the Chase Park Plaza Hotel in St. Louis, Mo., October 27-29. This year the conference will take a close and careful look at smaller banks as well as large ones. Subjects include bank operations management, data processing management, EFT, asset liability management and others.

### Credit Unions Buy Bank

In a move to gain more direct access, to bank clearing services for share drafts and electronic funds transfer networks, a group of 24 Ohio credit unions announced it has purchased control of the \$5.3 million-deposit Alexandria Bank Co., Columbus, Ohio.

Under the purchase agreement,

the credit union consortium, aided by the Ohio Credit Union League, paid \$750,000 in cash for 75% control of Cubanc Corp., a holding company formed to acquire the bank. There are 1,375 credit unions in the league.

### Iowa News

**BONAPARTE:** Dan Spray has been appointed agricultural representative of the Bonaparte office of the State Central Savings Bank, Keokuk. He most recently was district manager for Ralston Purina.

**DAVENPORT:** Davenport Bank & Trust Co. has received permission to establish an office at the southeast corner of US #6 and Kimberly Road here.

**EARLVILLE:** The State Bank has increased its capital from \$70,000 to \$140,000.

**FARLEY:** Farley State Bank's application to establish an office at Holy Cross has been denied.

**FAYETTE:** Lawrence W. Behl has assumed management of the State Bank of Fayette succeeding Lewis Jordan, vice president, who left the bank to accept the managership of a bank in Lovell, Wyo.

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**FORT DODGE:** Northwest Bancorporation of Minneapolis is offering shareholders of the \$62 million First National Bank, Fort Dodge, 2.8 Northwest shares for each of 68,000 shares of First National Bank. The sale would total about \$10 million. Northwest's stock closed last week on the New York Stock Exchange at \$52.50. The transaction must be approved by some 200 shareholders, which is planned in January. Pending before regulatory authorities is the proposed acquisition of First National Bank, Ottumwa, announced earlier this summer by Northwest Bancorporation.

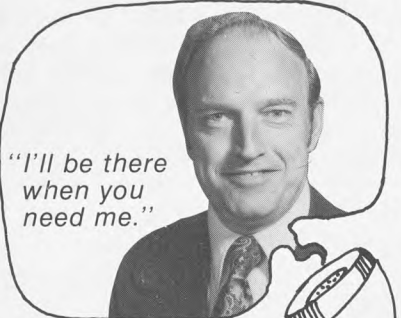
**GRIMES:** Don Rainer, assistant vice president of Bankers Trust Company of Des Moines, has assumed additional duties as agricultural specialist at the bank's Grimes office. Formerly with the correspondent bank division, he has served as agricultural advisor to the bank's correspondents over the state since 1973.

**KNOXVILLE:** Richard Hixson has been promoted to vice president of the Iowa State Savings Bank. He has been with the bank for 13 years.

**MAPLETON:** Edward L. Henkenius has joined the Mapleton Trust and Savings Bank in agricultural loan supervision and agri-financial planning and consulting.

**WEBSTER CITY:** Timothy F. Neuroth has been appointed loan officer of First State Bank, beginning October 4. He previously was

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**NEW ISSUE**

**MOODY'S: "Aa"**

## \$6,350,000 MARSHFIELD, WISCONSIN

General Obligation Refunding Bonds, Series 1976

Dated: September 1, 1976

Denomination: \$5,000

Both principal and semiannual interest (April 1 and October 1, first coupon due April 1, 1977) payable at First Wisconsin Trust Company, Milwaukee, Wisconsin.

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

### MATURITIES

	<u>6.00%</u>				<u>5.00%</u>
\$695,000	October 1, 1977	3.25	\$730,000	October 1, 1983	4.45
755,000	October 1, 1978	3.50		<u>5.15%</u>	
720,000	October 1, 1979	3.75	415,000	October 1, 1984	4.60
	<u>5.20%</u>			<u>5.30%</u>	
700,000	October 1, 1980	4.00	390,000	October 1, 1985	4.70
	<u>4.70%</u>			<u>5.40%</u>	
700,000	October 1, 1981	4.15	245,000	October 1, 1986	4.85
	<u>4.90%</u>			<u>5.50%</u>	
730,000	October 1, 1982	4.30	270,000	October 1, 1987	5.00

LEGALITY TO BE APPROVED BY BERGE AND PITT, ATTORNEYS, CHICAGO, ILLINOIS.

Marshfield is located in Wood and Marathon Counties in central Wisconsin, about 185 miles northwest of Milwaukee. Some of the principal industries and commercial entities located in Marshfield are: C. E. Blodgett & Sons Company; Central State Bank; Citizens National Bank & Trust; Consolidated Badger Cooperative; Felker Brothers Manufacturing Company; Figi's, Inc.; Hub City Foods, Inc.; Holiday Inn; Marshfield Clinic; Marshfield Developers (Shopko Corp.); Mobile Plywood, Inc.; Rollohome Corporation (Wisconsin Homes); Silvercote Products Company (Johns-Manville Sales Corporation); Tri-County State Bank; Weyerhaeuser Company and Wick Building Systems (Marshfield Homes). Bank deposits as of 12-31-75 totalled \$81,086,729.

The proceeds of this issue will be deposited in trust with First Wisconsin National Bank of Milwaukee and invested in such manner that the proceeds and investment income therefrom, without the need for any further investment or reinvestment, will be sufficient, together with other funds, available for that purpose, to pay when due the principal of and interest on all twenty presently outstanding issues being refunded by this issue. Interest on the obligations being refunded, and principal thereof in the amount of \$161,951, coming due in 1976, will be paid from sinking funds now on hand. In the opinion of counsel, these bonds are legal and binding general obligations of Marshfield, Wisconsin, and all taxable property located therein is subject to the levy of sufficient taxes to pay the principal of and interest on the bonds without limit as to rate or amount.

### FINANCIAL STATEMENT

Equalized valuation, 1975	\$208,221,700
Assessed valuation, 1975	183,937,240
Net direct debt, including this issue	6,353,000
Total direct and overlapping debt	7,484,706

Population, 1976 estimate: 16,450	Direct debt per capita:	\$386.20
	Total debt per capita:	455.00

Tax collections have approximated 99.6% of taxes levied for the past four years.

We own and offer subject to prior sale and change in price and subject to our attorney's approving opinion.

The information contained in this circular is not guaranteed, but is derived from sources we deem reliable and is that on which our purchase of these bonds was based. Offered subject to prior sale and change in price.



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associated with the Iowa Department of Banking as an examiner for the past six years.

**WILLIAMSBURG:** Farmers Trust and Savings Bank has received permission to establish a detached teller's facility at 505 S. Chatham Street Here.

## Nebraska News

**BEATRICE:** Beatrice State Bank has changed its name to Beatrice State Bank and Trust Company after receiving permission to transact a trust business.

**BYRON:** Byron State Bank's application for Federal deposit insurance has been approved. The bank's capital accounts total \$307,500.

**OMAHA:** The Center Bank has received permission to change the address of its detached auxiliary teller office from 7101 Mercy Road to 8406 Papillion Parkway here.

**STRATTON:** Commercial Bank has received permission to move its bank charter and location to 1/2 block north of its present location on Bailey Street.

**WAHOO:** Paul L. Cernik has joined the First National Bank here as agricultural loan officer. He formerly was district sales representative in southeast Iowa for Ciba-Geigy Corp.

## Minnesota News

**SHAKOPEE:** A bank charter has been granted by the Minnesota Supreme Court to applicants for a

new Citizens State Bank here after almost three years of court battles. The bank applied for and was granted in 1974 a certificate of authority. The First National Bank of Shakopee then appealed the decision to the Minnesota Supreme Court. Applicants include Clete Link and James Frady, Shakopee; Bill Norris and Norbert Berg, Control Data Corporation; Dr. James Fox, an Edina physician, and Roger Peterson, Minneapolis attorney.

**WORTHINGTON:** Lucy A. Wright has been appointed assistant cashier of the State Bank of Worthington. She is a recent business administration graduate.

## Illinois News

**CHICAGO:** Community Bank & Trust of Edgewater has received consent to exercise limited trust powers.

**NORTHBROOK:** A charter has been issued to the Bank of the North Shore at Lake-Cook Road (County Line Road) and Lee Road here. The state bank's total capitalization of \$2 million will consist of \$800,000 in both capital and surplus and \$400,000 in reserve. The 80,000 shares have a par value of \$10 each. Officers are Edward J. Copeland, chairman; Ralph R. Leonard, president; Don R. Copeland, vice president, and Robert T. Drake, secretary. Directors are Don Copeland, Skokie; Edward Copeland, Solway Fred Firestone and Amos Turner, Highland Park; Edwin C. Corra, Buffalo Grove; Mr. Drake, Winnetka; Richard C. Halper, Evanston; Bernard A.

Heerey, Chicago; John J. Lanigan, Palos Hills; Mr. Leonard, Hawthorn Woods; Stanton Schuman, Glencoe; Donald E. Tolva, Oak Brook, and Sherwin Willens, Wilmette.

**ROSEMONT:** Financial Shares Corporation will present a one day seminar, Illinois Banking Update '76, on Wednesday, Sept. 22, at the Holiday Inn-O'Hare Kennedy, 5440 N. River Road here (near O'Hare International Airport). Topics to be discussed include: The New Facility Bill (HB 1955); The Why, What and How To Take Advantage; How To Manage Your Bond Account for Coming Months; What To Expect from State and National Elections; What the S&Ls Are Doing in Illinois, and Credit Unions—Fight Them or Join Them?

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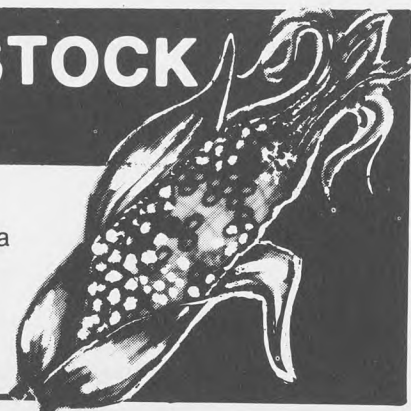
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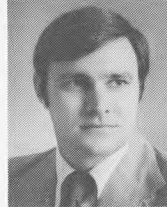
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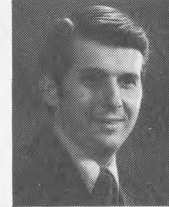


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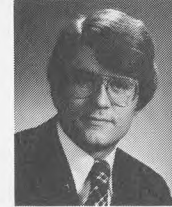
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## SHARE DRAFT . . . . . [Continued from page 1]

Without judicial relief, banks' losses will increase, since individuals "will tend to give their loan and deposit business to the financial institution where they maintain their demand deposit-like accounts."

### Wyoming News

**BUFFALO:** An application for a third bank here has been filed in the state examiner's office in Cheyenne. Organizers of the new bank are Karl Bergner, John Iberlin, Leon Keith, Dr. John Knebel and L. V. Stafford, Buffalo, and Robert Ferril and Homer Scott, Jr. (agent), Sheridan. The new bank is seeking a state charter and will be known as the Security Bank with a proposed capital of \$450,000.

### Colorado News

**DENVER:** Bank Land Co., here has filed an application for approval to retain 8% and acquire an additional 16.9% of the voting share of Southwest State Bank.

**OLATHE:** Olathe State Bank's application for Federal deposit

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insurance has been approved. The bank's capital accounts total \$400,000.

### North Dakota News

**CARRINGTON:** Foster County State Bank has received permission to exercise limited trust powers.

### Montana News

**CUT BANK:** Allen Berkram has joined the First National Bank as assistant cashier and agricultural representative, according to Art Wiedeman, Jr., executive vice president. Mr. Berkram is a graduate of Montana State University and previously worked at the Toole County Bank in Shelby for the past three years.

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