

NORTHWESTERN Banker Newsletter

Vol. 5 No. 27

Des Moines, Iowa

November 1, 1976

Kobelinski Reviews SBA Bank Programs

In his address to the Iowa Bankers Association's 90th annual convention in Des Moines October 25, bankers were given a rundown on some new lending regulations, along with warnings about federal sanctions that may be imposed, by Mitchell P. Kobelinski, national administrator of the Small Business Administration, Washington, D.C. He covered, in part, these points:

Three New Developments

1. **Loans to Farmers.** Beginning this week (October 25), all SBA programs are available to farmers. This offers many profitable new opportunities for banks. We are able to support bank loans for purchase of land and buildings, land improvements including fencing, irrigation systems and pollution facilities, for construction of farm buildings (but not residences), for purchasing machinery and equipment, and for farm operating expenses.

Arrangements have been carefully worked out with the Farmers Home Administration to avoid duplication or conflict in our agency programs.

2. **Faster Service.** Our second improvement is a speed-up of our loan guarantee service. By streamlining our operations, we have reduced the average time for pro-

cessing applications 25% in the past year and hope to be able to promise a standard 10-day service soon.

Also, we have a pilot program



M. P. Kobelinski

underway which enables a lending bank to certify to us that in its opinion the borrower meets certain minimum credit standards. Our guarantee then is provided within 48 hours.

3. **Use of Secondary Market.** The third development, which may come as a new idea to many of you, is that some banks are discovering they can make substantial profits by passing along their SBA-guaranteed loans to the secondary market. There are opportunities in this for small and large banks alike. You can charge up to 10% interest on loans supported by SBA. Our guarantee still covers 90% of the loan. It is not much of a trick to put together a package of the guaranteed portions of these instruments and sell it to an insurance company,

a pension fund or somewhere else in the investment field.

Banks which have started doing this are charging a service fee of about 1%. Altogether, they are earning up to 20% on the money they actually put out. Moreover, the secondary buyer is delighted with the deal. He gets a rate of return that is 1 to 1½ points higher than he can get on regular government securities which are no safer than this one. And I'm talking about a full 1½% of interest—not basis points. The small businessman involved is not paying anything extra for his loan, and he benefits by finding more banks interested in dealing with him.

Threat of Financial Sanctions

The Federal Energy Administration Act, passed by Congress in August, empowers the Department of Housing and Urban Development—HUD—to issue energy conservation standards for new buildings. So far, so good.

But, there is also in the works a plan to broaden the powers of federal agencies to impose financial sanctions in order to enforce their standards. If Congress approves that step, any community that fails to adopt HUD's energy conservation standards will be off limits. **No bank insured by the FDIC will be**

KOBELINSKI
[Turn to page 5, please]

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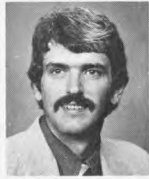
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Iowa News

About 4,638 people attended the 90th annual convention of the Iowa Bankers Association (IBA) in Des Moines last week. C. Robert Brenton, president, Brenton Banks, Inc., Des Moines, 1975-76 IBA vice president, automatically advanced to the presidency of the association. He succeeds Dale K. DeKoster, president, Waterloo Savings Bank. Christy F. Armstrong, president, American Trust & Savings Bank, Dubuque, was elected vice president, and H. Rand Petersen, president, Shelby County State Bank, Harlan, was elected treasurer. Convention pictures and story will appear in the November issue of the Northwestern Banker.

BLOOMFIELD: The South Central Iowa Group of the National Association of Bank Women (NABW) will meet here on November 10.

COUNCIL BLUFFS: Funeral services were held recently for Everett L. Shockey. Mr. Shockey was vice president of the Council Bluffs

Savings Bank and a director of the Harlan National Bank and the Security State Bank of Mount Ayr. He also was a former member of the Iowa Highway Commission.

MILFORD: David Awtry has been named cashier of the Dickinson County Savings Bank. Since 1970 he has been a bank examiner with the Iowa Department of Banking.

SPENCER: The Northwest Iowa Group of NABW will meet on Saturday, Nov. 13, here.

WEBSTER CITY: The Federal Reserve has announced its approval of the application of Agri-Bank Corporation to become a bank holding company through acquisition of The Farmers National Bank here.

Nebraska News

The Nebraska Bankers Association will hold The Great Nebraska Brain Robbery, an Advertising and Personal Selling Conference, November 11-12 at the Lincoln Hilton. The session is designed primarily for marketing officers of larger banks and chief executive officers of community banks. The speakers, Ray Considine, a former bank advertising executive and now president of his own marketing consultant company, and Murray Raphael, an eastern retailer, were

two of the originators of the copyrighted "Brain Robbery Concept." Also scheduled as a dinner speaker is Terry Heineman, a bank administrator from the United Bank of Denver.

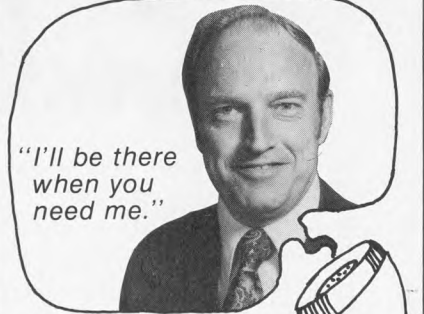
ATKINSON: Sharon Wenner has been named cashier of the First National Bank here. She has been with the bank over eight years.

BLUE HILL: Larry Edwards has joined the Commercial Bank as instalment loan officer. He formerly was employed by the city.

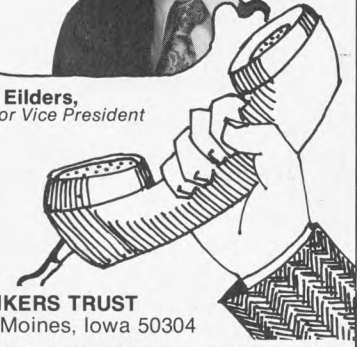
FRIEND: Keith E. Clouse has been promoted to executive vice president and cashier of the First National Bank.

OMAHA: The United States National Bank has announced three appointments: Henry R. Roose, vice president and commercial banking officer, has been named

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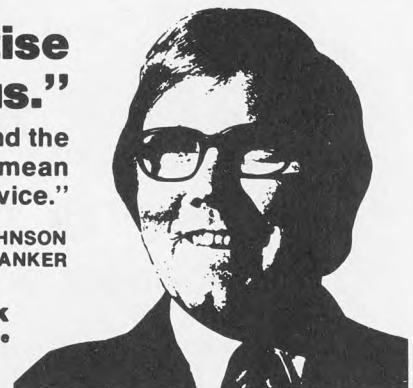
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NEW ISSUE

MOODY'S: "Aa"

\$8,435,000

SAINT PAUL INDEPENDENT SCHOOL DISTRICT NO. 625, MINNESOTA

General Obligation Bonds of 1976, Series B

Dated: November 1, 1976

Denomination: \$5,000

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

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

MATURITIES

	<u>4.80%</u>			<u>5.10%</u>	
\$260,000	February 1, 1978	3.25	\$575,000	February 1, 1986	4.90
	<u>5.00%</u>		600,000	February 1, 1987	5.00
395,000	February 1, 1979	3.60	455,000	February 1, 1988	5.10
410,000	February 1, 1980	4.00		<u>5.20%</u>	
435,000	February 1, 1981	4.15	480,000	February 1, 1989*	5.20
455,000	February 1, 1982	4.30		<u>5.25%</u>	
485,000	February 1, 1983	4.45	505,000	February 1, 1990*	5.30
	<u>5.10%</u>		535,000	February 1, 1991*	5.40
510,000	February 1, 1984	4.60	565,000	February 1, 1992*	5.50
545,000	February 1, 1985	4.75	595,000	February 1, 1993*	5.60
			630,000	February 1, 1994*	5.70

*Optional inverse order beginning February 1, 1988 at 100.00

LEGALITY TO BE APPROVED BY BRIGGS AND MORGAN, P.A., SAINT PAUL, MINNESOTA.

Saint Paul is the State Capital and Minnesota's second largest city. According to the United States Department of Commerce 1970 Census, the Twin Cities Metropolitan Area was the third most rapidly growing metropolitan area. The area has a balanced and diversified employment picture with no single industry sector dominating. Independent School District #625 has the same boundaries as the City of Saint Paul, with an area of 35,835 acres and a 1976 population of 300,691. The enrollment of the 53 private and parochial schools in the City of Saint Paul totaled approximately 17,500 for the school year 1974/75. The opinion of the District's Administration is that this enrollment is now generally stabilized. Large taxpayers in the District include: Northern States Power; Minnesota Mining & Manufacturing; First National Bank of St. Paul; Montgomery Ward; Ford Motor Company; St. Paul Fire and Marine; the Dayton Company; Kellogg Square Company; St. Paul Hilton Hotel Company; and Hoerner-Waldorf Corporation.

The proceeds of this issue will be used as follows: \$7,000,000 of the Issue will be used for the construction of a new Central High School which will in part utilize the frame of the present school. This will complete a \$45.2 million building program commenced in 1973. The remaining \$1,385,000 of the Issue is pursuant to the District's annual authorization to issue capital improvement bonds in an amount equal to one-half of 1% of its assessed valuation. In the opinion of counsel, these bonds are legal and binding general obligations of Saint Paul Independent School District #625, Minnesota, 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

Market value of taxable property, 1975-76	\$2,927,015,365
Assessed value of taxable property, 1975-76	1,078,777,172
Net direct debt, including this issue	147,075,368
Total net direct, overlapping and underlying debt	322,564,163
Population, 1976 estimate: 300,691	
	Net direct debt per capita: 489.61
	Total debt per capita: \$1,073.81

Tax collections have approximated 98.2% 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.

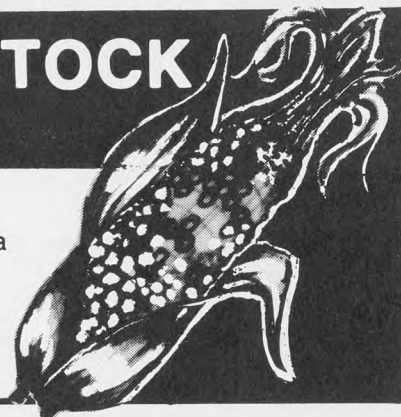
Supplement to NORTHWESTERN BANKER NEWSLETTER, 11/1/76.

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commercial banking and marketing manager for the bank's Regency office. Robert L. Billings has been named loan consulting officer at Regency. Victor Smith, formerly a senior vice president at The Omaha National Bank, has joined U. S. National as a consultant and adviser to the loan and credit departments.

OMAHA: C. E. (Jack) Hogzett has been named senior vice president of the Douglas County Bank & Trust Co. He formerly was in charge of the instalment loan department and then the branch division and now heads the operations division.

Minnesota News

BROOKLYN CENTER: Jack Bell is the new president of the Brooklyn Center State Bank, now undergoing a name change to the First Brookdale Bank. Mr. Bell, who has been in banking since 1939, joined Marquette National Bank of Minneapolis in 1968. Paul Gallick, former president, is now president of the Golden Valley State Bank.

GOLDEN VALLEY: Elmer W. Bratsch has announced his retirement as president and chief executive officer of The Golden Valley State Bank. He will remain as chairman. Paul W. Gallick is the new president and chief executive officer. He formerly was president of The Brooklyn Center State Bank.

LE CENTER: O. K. Deutschman, president of the First State Bank here, has announced that Roy Engel of Lennox, S.D., has purchased an interest in the bank and has joined its staff as cashier.

Illinois News

FREEPORT: State Bank of Freeport has received approval to establish an office at the southeast corner of West and South Streets here.

North Dakota News

HALLIDAY: The Federal Reserve System has announced its denial of the application of Union Holding Company to become a bank holding company through acquisition of The Union Bank here.

KOBELINSKI
[Continued from page 1]

able to make a building loan in that community (editorial emphasis added). Bankers will be deprived of a lot of potential business and many small businesses will be prevented from starting up or expanding.

It hasn't happened yet, but the American Bankers Association, among others, is seriously concerned about the possibility, and many of you are probably confused by the cross-currents of government activity. Last week SBA announced a

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new practice of making loan support available for speculative construction by small contractors. We took this step at the suggestion of the President and Congress, the purpose being to give a lift to this section of the construction industry.

Up to now, small contractors have not been able to get SBA loan support to build or rehabilitate commercial or residential buildings that are to be put up for future sale. Now, such support is available, in the form of 90% government

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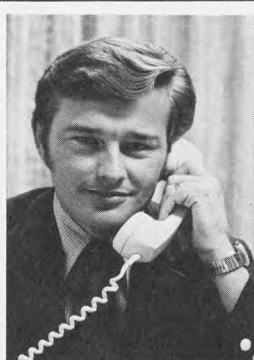
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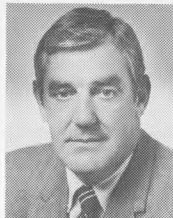
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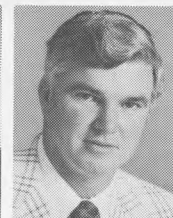
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guarantees of up to \$500,000, on a term of 18 months plus construction time, at interest rates of up to 10%. Loans can cover improvements to land that are related to the construction.

Here again, financial sanctions could harm many small businesses. My point is that small and large businesses alike are being smothered in bureaucratic regulations and red tape, and this is something to get excited about.

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Would like to buy used walk-up window and night depository. Contact Box MTA, c/o NORTHWESTERN BANKER, 306 15th Street, Des Moines, Iowa 50309.

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5 years bank experience—managerial responsibilities in operations and data processing. Minneapolis based. Write Box DMA, c/o NORTHWESTERN BANKER, 306 15th Street, Des Moines, Iowa 50309.

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2 used vault doors that meet security regulation. Contact: Mickey Lewis, Farmers Savings Bank, Fremont, Iowa 52561.

WANTED

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Commercial Loan

Metro K.C. suburban \$25,000
Eastern Ia., senior officer \$24,000
Rural Ks., some agri & operations \$20,000
Metro Mo., with good P. R. \$16,000

Real Estate Loan

Metro Ks. area, \$200MM bank \$20,000
Suburban Ks. area, \$50MM bank \$20,000

Controller

Ks. bank, \$25MM, near a metro area; excellent administration & acctg. required \$20,000

Miscellaneous

Mktg. & com'l In., metro \$14,000
Mktg. & Adv.; metro \$15-\$25,000
Correspondent officer able to travel 75% \$20,000

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