

# NORTHWESTERN Banker Newsletter

Vol. 5 No. 29

Des Moines, Iowa

November 15, 1976

## "Bank Branches Can't Survive"—Wriston

"Bank branches that do a primarily consumer business cannot survive much longer."

This was a statement made by Walter Wriston, chairman of New York's \$45 billion-deposit Citicorp during the 1976 National Conference on Correspondent Banking in Dallas last week.

He said costs today of purchasing or leasing real estate, putting up buildings, paying the taxes and meeting payrolls have made the so-called brick-and-mortar branches "increasingly unviable."

Furthermore, he said, the blurring of distinctions among the various kinds of financial institutions, perhaps leading to the payment of interest on checking accounts, for example, threatens to create further cost pressures.

Therefore, the nation's big branch systems will have to seek alternatives, most likely unmanned electronic banking terminals that can be installed and maintained at a fraction of the cost of brick-and-mortar operations, said Mr. Wriston.

Asked when he expects the major branching banks to begin phasing out their consumer branches, the Citibank chairman replied, "as soon as the leases run out."

He added, however, that brick-and-mortar branches doing a predominantly commercial business

can survive, even though they'll probably lose money on their consumer services.

Branches are supposed to offer convenience, but too often they don't, said Mr. Wriston, adding, "a consumer is badly served when he must stand in line."



W. WRISTON

But regardless of branching, Mr. Wriston said all banks must move quickly into electronic banking to minimize costs in general and to meet the competition from such financial institutions as savings and loans and credit unions.

He cited a recent study that found the average total cost for a bank to process a check completely amounts to 55 cents, a cost, he implied, that electronic funds transfer could reduce considerably, in turn saving the consumer money.

Mr. Wriston also told his audience of nearly 450 bankers from throughout the country that banks

must redetermine all costs and charge for services accordingly.

He said Citibank, for example, recently began charging a 50-cent monthly fee to Master Charge customers who paid their bills in full at each billing, because those customers were being subsidized by those who carried their charges over into subsequent billing periods and had to pay interest.

Citibank lost only 2% of its Master Charge customers as a result but managed to make additional revenues, he said.

Mr. Wriston urged his audience to take concerted action against the forces seeking to shift decision-making powers from the private sector to federal and state bureaucracies.

He mentioned an encouraging anti-bureaucratic trend developing in intellectual circles recently, but warned that the "inertia" of the pro-regulation, pro-bureaucracy forces still poses a major threat to free enterprise.

It, therefore, behooves business, he added, to look closely at itself, making reforms where needed and before mandated. For example, many boards of directors could be reconstituted for a more representative membership, he added.

Quoting columnist Irving Kristol, Mr. Wriston said he hopes never to see the tombstone of capitalism with the inscription, "Nolo contendere" (no contest).



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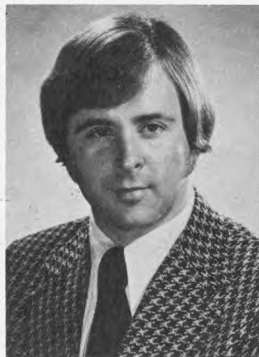
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### Comptroller to Charge Natl. Banks \$200 for Each CBCT

Acting Comptroller of the Currency Robert Bloom has issued new regulations which require every national bank to file an application for each existing or proposed Customer Bank Communication Terminal and pay an application fee of \$200 for each terminal. This applies to off-premise terminals and is necessary, Mr. Bloom explains, because of the federal court ruling that CBCTs must be considered branches. Currently, brick and mortar branch applications by national banks require a \$500 filing fee.

The CBCT applications must be submitted only for those units which will receive or disburse funds and which are to be established (i.e., owned or rented) by national banks. Both Nebraska and Iowa, which have enacted EFT enabling legislation, require both national

and state banks to file applications with the state departments of banking for permission to operate off-premise CBCTs.

### Iowa News

The following banks have increased their capital: Union Story Trust & Savings Bank, Ames, from \$400,000 to \$1,200,000; North Iowa State Bank, Belmond, from \$225,000 to \$250,000; Hawkeye Bank and Trust, Burlington, from \$600,000 to \$750,000; Hardin County Savings Bank, Eldora, from \$200,000 to \$400,000; Security State Bank, Lake Park, from \$105,000 to \$210,000, and Farmers Savings Bank, Mitchellville, from \$100,000 to \$120,000.

**DENISON:** The First National Bank of Denison has changed its name to The First Northwestern National Bank of Denison.

**DES MOINES:** The 29th annual Iowa Bankers Association Tax School will be held November 22-23 at the Hilton Inn, 6111 Fleur Drive here. The Fiduciary Workshop will be held Tuesday, Nov. 23. Registration begins at 8 a.m., Monday, Nov. 22, followed by the opening session at 9 a.m. Topics of discussion will include the Tax Reform Bill of 1976.

**SIOUX RAPIDS:** Bob Stewart has

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Bob Buerneke

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NATIONAL BANK

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been named executive vice president of the First State Bank.

### Nebraska News

**AURORA:** Jack Bridge has joined the First National Bank and Trust as vice president. He was an installment loan officer for the National Bank of Commerce in Lincoln from 1965-68 and vice president and manager of the installment loan department in the First National Bank in Kearney most recently.

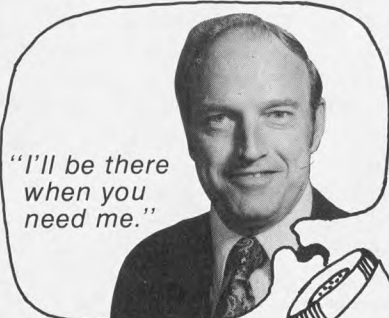
**HASTINGS:** Dan Finken has joined the installment loan department at First National Bank. He had been manager of the Hastings AVCO Finance Company office.

**KEARNEY:** William E. Jensen recently was elected vice president in charge of the installment loan department at the First National Bank and Trust Co.

### Minnesota News

**HOPKINS:** Andrew A. Christensen has joined the Northwestern National Bank as a commercial loan officer. He has been an investment

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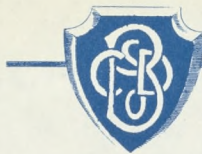
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## NEW ISSUE

**\$4,650,000**  
**SIoux CITY, IOWA**

**MOODY'S: "A"**  
**S & P: "A"**

Sewer Revenue Bonds, Series 1976

Dated: December 1, 1976

Denomination: \$5,000

Both principal and semiannual interest (January 1 and July 1, first coupon due July 1, 1977) payable at the office of the City Treasurer, Sioux City, Iowa.

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

### MATURITIES

<u>5.75%</u>		<u>5.30%</u>	
\$150,000 July 1, 1978	3.60	\$275,000 July 1, 1988*	5.20
150,000 July 1, 1979	3.80	300,000 July 1, 1989*	5.30
175,000 July 1, 1980	4.00	<u>5.50%</u>	
175,000 July 1, 1981	4.20	325,000 July 1, 1990*	5.45
<u>5.00%</u>		<u>5.60%</u>	
200,000 July 1, 1982	4.40	350,000 July 1, 1991*	5.60
225,000 July 1, 1983	4.55	<u>5.70%</u>	
225,000 July 1, 1984	4.70	650,000 July 1, 1992*	5.70
250,000 July 1, 1985	4.85	<u>5.75%</u>	
250,000 July 1, 1986	5.00	675,000 July 1, 1993*	5.75
275,000 July 1, 1987*	5.10		

\*Optional in inverse order beginning July 1, 1986 at 102%; and July 1, 1990 at 101%.

LEGALITY TO BE APPROVED BY AHLERS, COONEY, DORWEILER, HAYNIE & SMITH, ATTORNEYS, DES MOINES, IOWA.

Sioux City is located at the extreme western edge of Iowa at the junction of the states of Iowa, Nebraska and South Dakota. It is a trading, distribution and transportation center for a large agricultural area and the fourth largest city in the State. Sioux City has about 171 diversified industries, the principal of which are meat packing and food processing. Major employers located in Sioux City include: Aalfs Mfg. Co. (work clothing); Dyna Technology (generators); Iowa Beef Processors (meat packing); Johnson Biscuit Co. (crackers); Metz Baking Co. (bakery products); Needham Packing Co. (dressed beef); Armour & Co. (hog packing); Sioux City Stockyard Inc.; Sioux Tools, Inc. (electric tools); Swift & Co. (beef and pork); Wilson Trailer Co. (semi-trailers) and Zenith Radio Corp. (radios and phonographs). Sioux City is the county seat of Woodbury County, one of the leading agricultural counties in the United States, as well as a leading producer of corn, hogs, cattle, wheat and turkeys. Transportation is provided by six railroads, two scheduled airlines, three barge lines and thirty-seven truck lines. There are seven banks and three savings and loan associations in Sioux City and their combined total deposits exceed \$738,000,000.

These bonds are being issued under the provisions of Division V, Chapter 384, Code of Iowa, 1975, as amended, for the purpose of financing the cost of constructing improvements to the existing sewer system. In the opinion of counsel, these bonds, together with the \$4,250,000 presently outstanding Sewer Revenue Bonds are legal and binding obligations of Sioux City, Iowa, payable from the future net revenues of the sanitary sewer system and are a first lien against said future earnings. The system presently has about 24,265 connected customers. Rates were increased by about 85% in June, 1976, to provide better coverage for this issue.

### EARNINGS

	1975 Pro-forma*	1975 Actual	1974 Actual	1973 Actual
Gross revenues	\$2,831,604	\$1,538,506	\$912,404	\$892,975
Expenses	644,348	644,348	493,687	415,311
Net revenues	<u>\$2,187,256</u>	<u>\$ 894,158</u>	<u>\$418,717</u>	<u>\$477,664</u>

\*As if new rates had been in effect

### COVERAGES

(All issues based on 1975 pro-forma net revenues)

Average principal and interest	\$799,512	Maximum principal and interest	\$843,825
Coverage of average requirement	2.74X	Coverage of maximum requirement	2.59X

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Supplement to NORTHWESTERN BANKER NEWSLETTER, 11/15/76.

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**HOPKINS:** First National Bank has announced the promotions of Ron Wolff to commercial banking officer, sales finance department, and Sheila Block to personal banking officer, retail banking department. Jack San Felippo has joined the bank as adjuster. He previously was with Postal Finance.

**LITTLE FALLS:** Gregory S. Ptacek has joined The American National Bank here as an agricultural representative. He is a business administration and economics graduate of Winona State University.

**PRINCETON:** Gordon Winzenburg recently was named a vice president of the Princeton State Bank. He previously was with the Citizens State Bank in Big Lake.

**SILVER BAY:** J. A. Dorman has been elected president and chairman of the First Northwestern Bank here succeeding Palmer Hoffland who has been elected president of the Northwestern State Bank of Slayton. Mr. Dorman has been vice president of the First Northwestern National Bank of Albert Lea.

**WHEATON:** State Bank of Wheaton has received consent to establish a detached facility at 1001-1003 Broadway here.

**WORTHINGTON:** Steven Grell has joined the First National Bank as assistant vice president, commercial lending. He formerly was assistant cashier and manager of the timepay department in a bank in Rolla, N.D.

### Illinois News

The following banks have received consent to establish facili-

ties: The Bank of Carbondale, at University Mall, Route 13 East; State Bank of Collinsville, at 501 North Beltline Road; Bank of Lansing, at 18605 Torrence Avenue; The Farmers State Bank and Trust Company of Jacksonville, at 1718 West Morton Street, and Orland State Bank in Orland Park, at 9533 West 143 Street.

**CLARENDON HILLS:** Charter Clarendon Bancorporation, Northfield, has received permission to become a bank holding company through acquisition of Bank of Clarendon Hills here.

**FREEPORT:** First Freeport Corporation has received approval to acquire the First National Bank here.

### South Dakota News

**CARTHAGE:** Dale A. Morstad has been promoted from cashier to executive vice president and cashier of the Farmers State Bank.

### Colorado News

**CRAIG:** The Moffat County State Bank has received consent to exercise limited trust powers.

**DENVER:** James L. Basey and R. Gary Cogburn recently were named vice presidents and assistant controllers of Colorado National Bank. Other promotions announced are: Ronald D. Dickman to assistant vice president, real estate; James W. Vinyard, trust officer; Patricia J. Bentley, training officer, and Christina R. MacMillan, operations officer.

### Wyoming News

**CHEYENNE:** Thomas F. Scranton has been promoted to commercial loan officer of the American National Bank. He joined the bank

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in 1975 as an officer trainee.

### North Dakota News

**FARGO:** Ronald F. Braseth has been appointed assistant agricultural representative and correspondent banker of the First National Bank and Trust Company. He has been with the audit staff of Northwest Bancorporation since 1971.

**GRAND FORKS:** The North Dakota Bankers Association will hold its fourth annual Women's Bank Conference at the Town House Motor Inn here November 18-19. Registration begins at 4 p.m. on Thursday, Nov. 18. Topics of discussion will include economics, Keogh Plans, Individual Retirement Accounts, computer banking, advertising and public relations.

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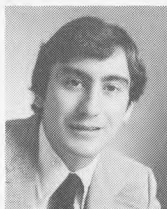
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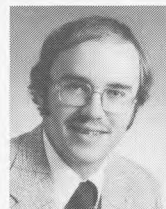


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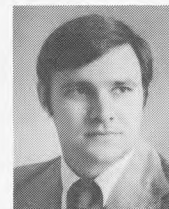
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## Fed Defers Investment Dept. Authority for Bank H.C.s

The Board of Governors of the Federal Reserve System has deferred action on a proposal to make underwriting and dealing in Federal government securities and general obligations of states or their subdivisions (municipal securities) a permissible activity for bank holding companies.

Action was deferred for 12 months unless before that time actions by the Municipal Securities Rulemaking Board—created by Congress in 1975 to regulate the municipal securities field—make reconsideration appropriate in the Board's judgment.

The Board had proposed on April 2, 1974, to add such investment

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dealing to the list of permissible BHC activities.

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