

NORTHWESTERN Banker Newsletter

Vol. 6 No. 34

Des Moines, Iowa

December 19, 1977

Outlook for Commercial Lending in 1978

By **WILLIS F. RICH, JR.**
President

Robert Morris Associates
Executive Vice President,
Northwestern National Bank,
Minneapolis, Minn.

Any discussion of the outlook for commercial lending in 1978 must, of course, be preceded by at least brief comment on the likely direction our economy will take during the year.

I am optimistic about our economic growth in 1978. I see real growth decelerating toward the long-term growth path of the last 20 years, but this is a positive solid scenario for a sustained economic expansion. Real GNP growth in 1976 and 1977 averaged around 5%. To maintain improved levels of GNP growth in 1978 would lead to excesses in the economy that could eventually result in another recession. So our predictions are for real GNP growth to average 4% in 1978.

This reasonably stable economic



W. F. RICH, JR.

environment will present bank commercial lenders with healthy, but only moderately increased, loan demand. There was a good expansion in commercial loans in 1977, primarily outside the major money centers. I see a slight shift in the areas of growth this year with a gradual increase in the portfolios of the money center banks and a continued but slower expansion in the regionals. I just cannot expect, however, regional banks such as ours to continue the 20% growth rate that we had in 1977.

Some of the loan demand, unfortunately, will be created by inflation which we in our bank see accelerating through the year to 7% by year-end. Another source of demand will be in capital spending, which may grow slowly in the first half of 1978 but which can provide the backbone of the economic expansion and our loan growth, particularly in the second half.

I see improved demand coming from plant expansion and large equipment purchases. Simultaneously, corporations will continue to control inventory expansion tightly in a conscious effort to avoid excesses and slow moving items. But, even with the most careful controls, inventory costs

will move up sufficiently to provide an additional source of loan demand.

In addition, although the commercial paper volume relative to total loans is small, I feel also that the money center banks will see a return of more CP issuing customers to bank borrowing. The CP market has been used actively by major corporations during the past two years, but the narrowing of the spread differentials between bank rates and CP rates will make bank borrowing more enticing.

As far as interest rate levels are concerned, I think we will see a prime rate gradually moving during the course of 1978 to a level as high as 8.75%. The main impetus for the increase will come from tight monetary policy rather than from a sudden surge in demand. In its continuing fight to control accelerating inflation, the Federal Reserve will tighten interest rates in order to slow the growth of the money supply. No matter who the next Chairman of the Federal Reserve may be, the Fed's monetary policy would not be expected to change significantly.

As loan demand increases bank competition will remain strong, but with a return to more normal

OUTLOOK
[Turn to page 7]

Homer and Jim are ready to help you ...



... with CCB's full-service correspondent banking. Let Homer Jensen and Jim Eick show you that we do your kind of banking.



515/244-5111



CAPITAL CITY BANK

Des Moines' second largest independent bank.

A good correspondent bank relationship is still built by good people. Yours and ours.



John Mangold
Senior Vice President

Call me toll free . . .
800-332-5991

Merchants National Bank
Cedar Rapids, Iowa 52401 A BANKS OF IOWA BANK

Strotz Named Chicago Fed Chairman

Robert H. Strotz, president of Northwestern University, Evanston, will serve as chairman of the Federal Reserve Bank of Chicago board of directors for 1978. The appointment was made by the Federal Reserve Board of Governors in Washington, D.C.

Mr. Strotz has served as a director of the Chicago Federal Reserve Bank since January of 1974 and was appointed to a second three-year term beginning in 1977. For the past three years he has been deputy chairman.

Iowa News

The Marion County Bankers Association has elected the following new officers for the 1977-78 year: president, Randy Rumery, vice president, Pella National Bank; vice president, John Franey, executive vice president and cashier, Pleasantville State Bank, and secretary-treasurer, Marcelyn Moon, Community National Bank & Trust Company of Knoxville.

DES MOINES: Central National Bancshares, Inc., announced December 12 that more than 80% of the outstanding shares of common stock of Associated Bank Corporation had been tendered under the terms of the offer to purchase made on November 22. The offer expires December 22 and applies to all of the outstanding common stock of ABC. The acquisition is subject to

approval of the Board of Governors of the Federal Reserve System.

JESUP: Farmers State Bank has announced the promotions of Mark J. Podhajsky and Michael L. Frost from assistant vice presidents to vice presidents.

MARION: Phil Morris, president, First National Bank, and Richard Vaughan, president, Northwest Bancorporation, announced December 12 an agreement in principle for acquisition of First National by Banco through a cash tender offer of \$102.50 per share for each of the 48,000 shares outstanding. The offer is subject to approval by the Federal Reserve Board. Mr. Vaughan said no changes are expected in the bank's directors, management or employees if the sale is approved. First National is Iowa's oldest national bank, with a charter date of 1863. It had deposits of \$37 million on September 30. Banco presently owns seven Iowa banks, the largest of which is Iowa-Des Moines National Bank, and has an application pending for acquisition of First National Bank of Fort Dodge.

NEWTON: David D. Swanson has been appointed assistant vice president of the First Newton National Bank. He previously had been with the East Des Moines National Bank as assistant cashier for over three years.

REMSEN: Charles J. Neuroth has joined the Farmers Savings Bank as executive vice president. He

replaces Filmore W. Frasch who is going into semi-retirement but will be available as a consultant to the bank. Mr. Frasch has been with the bank since 1946. Mr. Neuroth previously worked seven years for the Iowa Department of Banking where he was a senior examiner.

Nebraska News

Nebraska's economy, especially the farm situation, has shown marked improvement in the past six weeks according to several sources in the state. Federal wheat payments, which began reaching farmers December 1, are expected to total \$80 million for Nebraska: the first sugar beet contract payments for 1977 were disbursed recently by Great Western; cash crop income has improved to some degree with late fall sales and slightly improved prices, and recent calf prices in the western part of the state reportedly were holding well last week.

All of these factors have generated additional deposits, as well as paydown on some loans, and some reduction on rather high loan/deposit ratios. One bank reported a L/D drop from 83% to 75% in one month, while another has dropped from 96% to 85% in a short time.

WAYNE: The Wayne First National Bank has announced the appointment of Norma Backstrom as assistant cashier.

Illinois News

The following banks have received consent to establish offices: Columbia National Bank of Chicago, at the Norridge Commons Shopping Center at Harlen and Forest Preserve Drive; Pekin National Bank, at the northwest

Over 80 banks have discovered the opportunities we offer with correspondent services.

Why not join them?

Call 319-582-1841 collect



Robert Scott, one of our Men of Opportunity



American Trust & Savings Bank

Town Clock Plaza, Dubuque, Iowa
Member: FDIC & Federal Reserve System

Call on us!

Toll free 800-362-1615
Correspondent Bank Department

"C" Central National Bank & Trust Company
DES MOINES, IOWA
AFFILIATED WITH CENTRAL NATIONAL BANCSHARES, INC.



EDDIE A. WOLF



WILLIAM B. GREAVES



RICHARD BRO



RAYMOND SCHNEIDER



CARLETON D. BEH CO.

INVESTMENT SECURITIES

DES MOINES BUILDING

TELEPHONE
288-2152
AREA CODE 515

DES MOINES, IOWA

NEW ISSUE

MOODY'S: "Aa"

\$2,950,000

RED WING INDEPENDENT SCHOOL DISTRICT NO. 256, MINNESOTA

General Obligation Refunding Bonds

Dated: January 1, 1978

Denomination: \$5,000

Both principal and semiannual interest (February 1 and August 1, first coupon due August 1, 1978) payable at the Northwestern National Bank of Minneapolis, Minnesota.

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

MATURITIES

	<u>5.25%</u>			<u>4.55%</u>	
\$175,000	February 1, 1979	3.75	\$225,000	February 1, 1987*	4.55
240,000	February 1, 1980	3.90		<u>4.65%</u>	
240,000	February 1, 1981	4.00	185,000	February 1, 1988*	4.65
240,000	February 1, 1982	4.10		<u>4.70%</u>	
	<u>4.25%</u>		185,000	February 1, 1989*	4.70
235,000	February 1, 1983	4.20		<u>4.75%</u>	
	<u>4.30%</u>		175,000	February 1, 1990*	4.75
235,000	February 1, 1984	4.30		<u>4.80%</u>	
	<u>4.40%</u>		175,000	February 1, 1991*	4.80
235,000	February 1, 1985	4.40		<u>4.90%</u>	
	<u>4.45%</u>		175,000	February 1, 1992*	4.90
230,000	February 1, 1986*	4.45			

*Optional in inverse order beginning February 1, 1985 at 100%.

LEGALITY TO BE APPROVED BY DORSEY, WINDHORST, HANNAFORD, WHITNEY and HALLADAY, ATTORNEYS, MINNEAPOLIS, MINNESOTA.

Red Wing Independent School District No. 256 is located along the Minnesota-Wisconsin border 50 miles southeast of Minneapolis-St. Paul. The District's ten largest taxpayers are Northern States Power, Red Wing Shoe Company, Red Wing Properties, S. B. Foot Tanning Co., Durkey Atwood Co., Red Wing Nursing Home, Central Soya, Paul Lawrence Construction, Red Wing Milling Co. and Josten's. Red Wing is served by three full service banks and two savings and loan associations with total deposits in excess of \$100,000,000. Sizeable employers include Northern States Power Company, Red Wing Shoe Company, S. B. Foot Tanning Company, Durkee-Atwood Company and Meyer Industries. Red Wing is connected to Federal highways No. 61 and 63, State highways No. 19 and 58 and is only 35 miles from Interstate highway No. 35. The City is served by four rail lines and ten truck companies.

These bonds are being issued to refund \$2,950,000 presently outstanding general obligation bonds of the District. In the opinion of counsel, these bonds are legal and binding general obligations of Red Wing Independent School District No. 256, Minnesota, and all taxable property 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

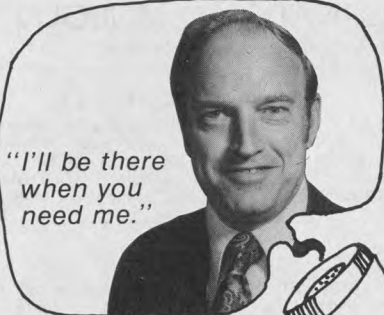
Market value of taxable property, 1976-77	\$524,065,430
Assessed value of taxable property, 1976-77	170,818,146
Net direct debt, including this issue	6,109,570
Total net direct, overlapping and underlying debt	12,639,570
Population, 1977 estimate: 16,000	Net direct debt per capita: \$381.84
Area: 131,840 acres	Total debt per capita: 789.97
	Net direct debt per acre: 46.34
	Total debt per acre: 95.87

Tax collections have approximated 99.95% of taxes levied for the past five 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.

Call your roving correspondent at Bankers Trust



Ben Eilders, Senior Vice President



BANKERS TRUST
Des Moines, Iowa 50304

Use our toll-free WATS line: 800-362-1688
Member: F.D.I.C./Federal Reserve System

corner of Parkway Drive and Sheridan Road; National Bank of Joliet, at 817 Plainfield Road, and Union National Bank & Trust Company, Joliet, at 1415 West Jefferson.

CHICAGO: Sears Bank and Trust Company has announced the following promotions: Kenneth R. Sanders, vice president, trust investments; Robert J. Vinopal, vice president; Emil J. Leska and William J. Margalus, personal banking officers.

CHICAGO: Raymond V. Dieball, who suffered a stroke November 8, has been transferred from the hospital after a three-week stay to a rehabilitation center for twice daily rehab treatments during further recuperation. He will be at home with his wife, Lucy, on Christmas Day at 2636 West 121st Place, Blue Island, Ill. 60406.

LINCOLNWOOD: Jim Hamilton, formerly vice president and head of the correspondent bank department of LaSalle National Bank in Chicago, has been elected executive vice president of the Bank of Lincolnwood, a suburban town in Cook County.

Minnesota News

ROLLINGSTONE: Kenneth L. Harstad, vice president of Winona National and Savings Bank, has been named president and director of the First State Bank here. Duane Klein, cashier, who has been with First State the past four years, was elected secretary of the board. Mr. Harstad replaces Pat Erwin who resigned to accept a position with a bank in Wabasso, Minn.

OUTLOOK . . .

[Continued from page 1]

"earning spreads" and a revival of compensating balance requirements.

Tempering my optimistic forecasts, however, is the very real fact that competition from non-banking financial institutions will remain intense. Finance and insurance companies will continue aggressively to serve potential bank customers. Credit unions, other savings institutions, and even stock brokerage firms will continue expanding their appetite for our traditional deposits. And, as we know, these competitors are not harnessed by the multitude of laws and regulations banks are. This makes the competition from non-banks even more fierce.

Within the U.S. banking system, we are faced with competition from such entities as foreign bank branches. They have an advantage in not having reserve requirements on offshore loans to domestic

When it comes to total service, you'll get a lot of help for your money.



Bernie Kersey

IOWA-DES MOINES
NATIONAL BANK

Member FDIC An Affiliate of Northwest Bancorporation **BANCO**

borrowers although the differential was recently narrowed.

As we know, banks are weighted down by a political and regulatory environment that produces distortions and requires continual adjustments in our lending methods.

Legal and regulatory restrictions are spawned often times by only a very few whose conduct provides an opening for legislative or regulatory overkill. Positive steps for self-regulation can defuse in part the explosive potential of burgeoning controls.

So, I would like you to consider a self-regulatory program, namely development of your own written, internal employee code of ethics if you do not already have one. Have it carefully spell out positive, concise guidelines for your commercial personnel and, indeed, all your employees' personal financial behavior. It should be fully understood by everyone, reviewed with frequency, and rigorously enforced. I feel that these guidelines properly communicated would not only be of service to our own bank staffs, but

Let's make your bank grow! Together.



E. L. Burch

Dick Muir

Jack Beets

Ben Adams

Dave Van Aken

Phil Straight

Dale Parker

Bob Widlund

Duncan Kincheloe

George Crews

Steve Blackburn



UNITED MISSOURI BANK OF KANSAS CITY, N.A.

United we grow. Together.

Telephone: (816) 556-7000

Member FDIC

CALL ON THE "PERFORMANCE TEAM"

where common transactions are handled uncommonly well.



FIRST NATIONAL LINCOLN

13th & M Street • Lincoln, Nebraska 68501 • Member, F.D.I.C.

would blunt the more zealous thrusts of those legislators who feel that only governmental restrictions can prevent abuses.

Now is also a good time to conduct an overall review of our lending operations, to upgrade our portfolios, to make sure our lending and credit personnel are receiving adequate training. While we certainly have an obligation to provide financing to enable our communities to grow, we must not interpret that obligation as one to assume undue risks. We must pay stricter attention to pricing. We must avoid the credits which — through rate, risk or ignorance — will assuredly give us problems. The increased costs these mistakes produce erode our earnings, the very strength we need to compete, grow — indeed, exist.

So, then, I am optimistic. I have confidence that we commercial bankers are alert enough, tenacious and innovative enough, and responsible enough to take advantage of the growth opportunities which I predict.

Bankers Service

LOAN ACTIVITY BULLETIN

Who: names of all debtors in the county recorded during the period
What: name of secured party
When: the date the loan was filed with the Secretary of State
Where: location where loan made

FOR FAST SERVICE
515-281-3356



IOWA PUBLIC RECORDS SEARCH, Inc.
 GRIMES STATE OFFICE BLDG.
 DES MOINES, IOWA 50319

WANT ADS

Rates 40 cents per word per insertion. Minimum: 12 words

Microfilm Lamps NO. FCS



Lots of:	G.E. & Syl.	Norelco
6-47	\$4.29	\$3.25
48-95	3.63	3.00
96-UP	3.43	2.95

We prepay any shipment over \$100.00 net. Minimum order, \$25.00 net. Write for special prices on other lamps. Your satisfaction guaranteed. Please save for future reference.

Sitler's SUPPLIES, INC.
 P.O. Box 10-Z 702 E. Washington St.
 Washington, Iowa 52353
 Ph. 319-653-2123

POSITION AVAILABLE

Looking for seasoned officer with loan and operations background. Bank located in upper Minnesota. Salary plus car. Write Box AAU, c/o NORTHWESTERN BANKER, 306 - 15th St., Des Moines, Iowa 50309.

SERVING PROFESSIONALLY

Banking, Financial & Business Personnel Iowa and Nationwide

CAPITAL PERSONNEL SERVICE

204 Securities Bldg. 515-283-2545
 Des Moines, Iowa 50309

LEASE OR SALE

14' x 60' preconstructed commercial bank bldg., equipped with drive-up window, inside tellers, depository, currency chest, and desk. Also 4 different types of constructed buildings available in various sizes. SON CORPORATION, Box 684, Wichita, KS 67201 - 316/942-8167.

BANKERS PERSONNEL SEARCH, INC.

321 Stephens Building
 Des Moines, Iowa 50309
 515/282-4446 or 515/961-5419
 Harriette Allison, President
 Employer Paid Fee Confidential
 Bank Personnel Only

POSITION AVAILABLE

A large central Montana bank seeks commercial loan officer with 3 to 5 years experience necessary, credit department experience desired. Please send resume and salary history to Box AAV, c/o NORTHWESTERN BANKER, 306 - 15th St., Des Moines, Ia. 50309.

Interested in Iowa Bankers People/People Tour to Europe and Russia

Contact: Russ Plager
 5832 Harwood Dr.
 Des Moines, Iowa 50312
 Phone 515/279-7445.

POSITION AVAILABLE

Up and coming, aggressive graduate seeking a training position in a Commercial Loan Department in Central Minnesota Bank; previous experience desired. Contact File No. AAS, c/o NORTHWESTERN BANKER, 306 15th St., Des Moines, IA 50309.

FOR LEASE

Fully equipped, 1000 sq. ft. double-wide trailer for aux. banking facility. Has 2 officer, 2 restrooms, night depository, drive-in window, coin chests, coin counter and wrapper, camera and alarm system, and much more. Available within 30 days. Contact Bob Blank, Cornhusker Bank of Omaha, 90th & Bedford, Omaha, Nebraska - 402-571-2300.

Buying Appraising US Foreign Stamps and Coins

10 years experience
NATIONAL STAMP & COIN CO.
 1603 Farnum
 Omaha, Ne 68102

FOR SALE

Burroughs L-5000, style L5012-609 business machine. Hartwick State Bank, Hartwick, IA 52232, Phone 515-525-2351.

POSITION WANTED

President of \$35 million community bank seeks new opportunity in midwest or mountain states. Excellent track record. Resume on request. Write File MKP, c/o NORTHWESTERN BANKER, 306-15th St., Des Moines, IA 50309.

BANKERS PARTICIPATING

LeasePlan

by

First Insured Services, Inc.

545 - 31st Street
 Des Moines, Iowa 50312

R.L. "DICK" SELLON * P.D. "DUANE" DEVAULT

POSITIONS AVAILABLE

EXEC. VICE PRES.—Community of 6,000 located within 100 mile radius of Kansas City. Must have strong ag lending background and be active in community affairs. \$22,000
COMML LOAN—\$60MM Kansas Bank needs strong lending officer for senior position. Should have at least 5 yrs. commercial experience. \$20,000
TRUST OFFICER—Head dept. for \$100MM bank. Excellent community with both ag and industrial base. Must like business development. \$25,000
COMML LOAN—Nebraska bank over \$50MM seeks addition to staff. Need 5 yrs. + experience. \$20,000
SENIOR LOAN OFFICER—Major midwestern bank seeks senior administrative officer for loan function. \$30,000
C.E.O.—Metro area suburban bank. Strong lending background essential. Kansas and Missouri locations. \$35-\$40,000

TOM HAGAN & ASSOCIATES

Box 12346, 208 E. 18th Ave.
 NKC, MO 64116 (816) 474-6874

"IT TAKES A BANKER TO KNOW ONE"

Vol. 6 No. 34 Northwestern Banker Newsletter is published weekly by the Northwestern Banker Company, 306 Fifteenth Street, Des Moines, Iowa 50309. Subscriptions 25 cents per copy, \$8 per year. Second class postage paid at Des Moines, Iowa. Address all mail subscriptions, changes of address (Form 3579) manuscripts, mail items to above address.