

NORTHWESTERN Banker Newsletter

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ABA Leaders Discuss Pending Legislation

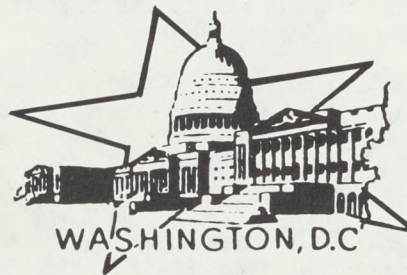
FEDERAL Reserve pricing, reserve-setting authority and membership—issues that have come to the fore even before the start of the 96th Congress January 15—were prime topics of debate during an early December meeting of the American Bankers Association's Government Relations Council in Washington.

Even as the more than 90-member Council met, newly elected and returning members of the House of Representatives were assembling for early organizing efforts in anticipation of the January 15 starting date for the 96th Congress. While the representatives considered committee appointments and various proposals for changes in House procedures, the leadership and staff of both the House and Senate Banking Committees already were circulating new legislative proposals which would affect Fed membership and reserve-setting authority.

On a parallel track, the Fed released in mid-November a list of prices it proposes to charge for its services to financial institutions. However, the Fed said it would not begin charging for its services until its perceived membership problem has been resolved. ABA's study of the impact of Fed pricing is expected to be complete by late January. At that time, it may be possible to begin factoring the

study into consideration of other issues relating to the Fed.

The evolution of legislative proposals on these issues has continued even though Congress was not in session, although the



concept of effectively mandatory Fed membership for banks over a certain size remains an element of the newer proposals. A factor that continues to limit the debate of these issues and the creation of new approaches to them is the Treasury's insistence that its revenues from Fed earnings not be diminished below a certain level.

One new proposal which was being discussed in Washington at the time the Government Relations Council met would impose Fed-established uniform and universal reserve requirements only on deposits in transaction accounts at all depository institutions—banks, S&Ls, mutual savings banks and credit unions. The proposal defines "transaction accounts" as including checking, NOWs, NINOWs,

share drafts, any savings accounts linked to conventional checking accounts by automatic transfer arrangements and any other third-party payment accounts.

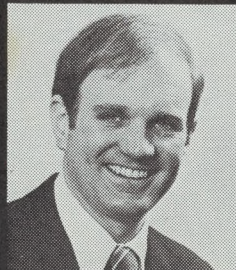
The proposal would set a 12-14% required reserve level on those transaction accounts but would exempt the first \$10-25 million of those deposits. The exact exemption level would be determined by its impact on Treasury revenues. If that impact were found to exceed \$200-300 million, an additional reserve requirement of 6% would be imposed on time deposits of \$100,000 or more whose maturity was less than 180 days.

To ensure that no opportunities for constructive change are lost and that the new proposals will be thoroughly analyzed and accurately understood, ABA has scheduled a series of meetings leading up to a mid-February Banking Leadership Conference in Washington. Bankers participating in those meetings and the Leadership Conference will review the new proposals having to do with the Fed with the goal of reaching a consensus on these issues. Joining the Government Relations Council for that Conference will be the members of ABA's Governing Council and the leaders of the state bankers associations and other national banking trade associations.

Few, if any, legislative proposals remain uncomplicated for long, and

(Turn to page 3, please)

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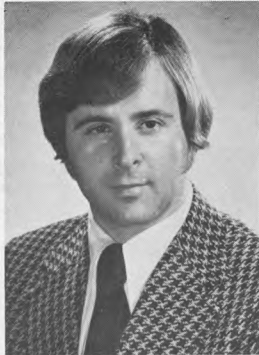


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Iowa News

The Iowa Bankers Association Conference on Bank Regulations will be January 4, 1979, at the Des Moines Hyatt House from 9 a.m.-5 p.m.

Important topics to be addressed will include: Financial Institutions Regulatory and Interest Rate Control Act, Community Reinvestment Act and a Review of Trouble Spots in Regulations B and Z.

Guest speakers will be A. Arthur Davis, IBA legal counsel, Thoma, Schoenthal, Davis, Hockenburger & Wine; Dennis Deischer, assistant regional consumer associate, Comptroller of the Currency, Kansas City, Mo.; C. Michael Grey, regional counsel, FDIC, Omaha Regional Office; William C. Keller, review examiner, FDIC, Omaha Regional Office, and Thomas Salsbery, attorney, Thoma, Schoenthal, Davis, Hockenburger & Wine.

John Murano: BANKERS' BANKER

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CEDAR FALLS: Midway Bank & Trust has declared a 100% stock dividend by transfer of \$150,000 from undivided profits to common capital, which now totals \$300,000.

CLINTON: Iowa State Savings Bank here has received consent to establish an office at 231-243 Seventh Avenue South.

EVANSDALE: Evansdale State Bank has received consent to change the location of its main office from 3511 to 3600 Lafayette Road here.

FARLEY: Farley State Bank has transferred \$40,000 from undivided profits to surplus, to take place on or before December 31. Surplus now totals \$500,000.

SIOUX CITY: The Toy National Bank has filed an application with the Comptroller of the Currency to open an office at 1550 Indian Hills Drive here.

WATERLOO: The National Bank of Waterloo has filed an application with the Comptroller of the Currency to establish an office at West Ridgeway and Kimball Avenue here.

Nebraska News

Paul J. Amen has been appointed director of banking and finance for Nebraska by Governor-Elect Charles Thone. Mr. Amen will take office in early January, succeeding William H. Riley, who has served in that post for the past four years. Mr. Amen has served with National Bank of Commerce, Lincoln, since 1967, as president and most recently as vice chairman.

GORDON: Norman G. (Rusty) Hicks will retire as vice president and cashier of the Gordon State Bank December 31. He joined Gordon State in 1961 and was previously with the Blackpipe State Bank in Martin, S.D.

McCOOK: Services were held in November for Mary C. Brady, 97, a major stockholder in the McCook National Bank. She was vice president for 40 years. Mrs. Brady started as a teller at the bank which her uncle, Pat Walsh, founded in 1907.

NORTH PLATTE: American Security Bank has received consent to open a detached tellers' facility at 202 S. Jeffers St. here.

WAHOO: Beverly Johnson and Jackie Bergman have been promoted to loan officers at the First National Bank here.

Illinois News

ALGONQUIN: Algonquin State Bank has received consent from the FDIC to exercise limited trust powers.

VANDALIA: An application by the Farmers & Merchants Bank here for Federal deposit insurance upon withdrawal from the Federal Reserve System has been approved.

Minnesota News

DEER CREEK: Security State Bank of Deer Creek has received consent to establish a detached facility at Second Street near Center Avenue in Bluffton.

LUVERNE: Jerry Stordahl has been promoted to assistant vice president at the Northwestern

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State Bank of Luverne. He joined the bank in 1972 as an instalment loan trainee and now serves as agricultural representative.

MAPLE GROVE: Northwestern State Bank Northwest has received consent to establish a detached facility on a plot of the proposed Mendota Shopping Center at County Road 10 and Sycamore Lane. The bank will break ground in the spring and opening is scheduled for September, 1979.

MARSHALL: Three employes at the First Northwestern National Bank of Marshall have been promoted. Named in the appointments were Lee Mammen, vice president, agricultural loan department; Gary Hoffman, assistant vice president, real estate department, and Linda Williams, assistant cashier in charge of the drive-up teller operation. Bank president John T. Suedbeck said the title changes indicate additional responsibilities being added to each person's job description.

MOORHEAD: American Bank & Trust Co. of Moorhead has received consent to establish a detached facility at 20th Street and 30th Avenue South.

RUSHFORD: Rushford Bancorporation's application to become a bank holding company by acquiring the First National Bank of Rushford has been approved by the Federal Reserve Bank of Minneapolis.

WILLMAR: Gary E. Gilman has been elected auditor of the Bank of Willmar & Trust Co. He was formerly employed as an examiner with the audit department of

Bremer Service Co., Inc. of St. Paul. Mr. Gilman has a degree in finance from St. Cloud State University.

Colorado News

DENVER: LaRue Orullian, president and chief executive officer of the Women's Bank, has been appointed to a two-year term as a member of the Colorado District Advisory Council of the Small Business Administration.

Wyoming News

DOUGLAS: A third bank for Douglas has been approved by the Wyoming state examiner. Wyobancorp will seek charter permission for the new bank after establishing the location.

LYMAN: Cleone Donohoo has been promoted to cashier at the First State Bank of Lyman.

SHERIDAN: The First National Bank here has announced several promotions including: John A. Brayton, senior vice president; Robert A. Barkley, vice president; John L. Piesik and David J. Withrow, assistant vice president; Beulah J. Fackenthal, assistant trust officer, and Ronald L. Dailey, assistant cashier.

BANKING ISSUES...

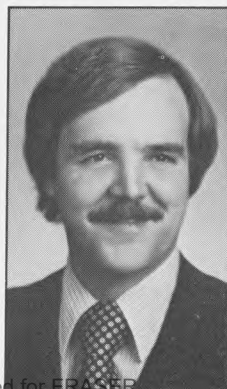
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Washington observers already are suggesting that there is an increasing likelihood that action on the issues associated with the Federal Reserve will be coupled to some form of restructuring of the

federal bank regulatory agencies. Under one concept, for example, the Fed would be guaranteed a firm membership base and in return would give up at least a part of its role as a regulator to the other two agencies. ABA and previous regulators have opposed efforts to restructure the agencies in the past, but the attitude that the current regulators would have toward such proposals is not known at present.

The members of the Government Relations Council voted to continue their vigorous opposition to the payment order accounts recently proposed by the Federal Home Loan Bank Board for federal S&Ls. The payment orders (check-like third-party payment instruments) theoretically are non-negotiable and non-transferable, as the applicable statutes require. That is, the person to whom a payment order is written could cash or deposit the payment order only at the S&L on which the order is drawn. Interest rate ceiling on funds in payment order accounts would be 5%.

Chairman G. William Miller of the Federal Reserve has said that the Fed may treat the S&Ls' payment orders as cash items and permit them to be processed



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4 through its payments system just as checks are processed, if they meet certain conditions that he suggested. In other words, federal S&L customers in effect could write checks on their 5% savings accounts—the equivalent of nationwide NOW accounts at federal S&Ls only.

ABA is challenging the Fed's ruling on payment order accounts.

Among the broader concerns that will face the 96th Congress, the nation's economy and the fight against inflation are expected to become increasingly dominant.

Following discussion of these issues by the Government Relations Council and ABA's board of directors, ABA submitted a statement to the Council on Wage and Price Stability expressing support for President Carter's voluntary anti-inflation program.

ABA also suggested changes in the profit margin standard which the Administration had initially planned to apply to banks. The profit margin test calls for companies to use the best two out of three years in the 1975-77 period to determine the base standard for judging price increases. The Association said that the new profit margin for banking during that base period was at its lowest point in recent years and thus would provide an inequitable standard for judging future bank profit margins. It suggested the use of a more representative profit margin test for banks.

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