

NORTHWESTERN Banker Newsletter

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July 9, 1979

Government Regulations Feed Inflation

THE Federal Reserve membership question and government regulation were given a thorough review by two speakers at the recent 71st annual convention of the Wyoming Bankers Association at Jackson Lake Lodge, located by the Grand Teton Mountains in Jackson Hole, Wyo.

Fed Question

Eugene Swearingen, chairman of the executive committee, Bank of Oklahoma, Tulsa (formerly National Bank of Tulsa), discussed the Federal Reserve situation and steps proposed to resolve it. He pegged today's two crucial problems as inflation and government regulation. "We have had more pages of regulations in the past five years," Dr. Swearingen stated, "than in the entire history of the United States, and this is the number one cause of the slow-down in productivity." He noted that the Lord's Prayer is 56 words long, the Declaration of Independence uses just 300 words, but FIRA has 260 pages and more than 50,000 words! Dr. Swearingen said when the



Federal Reserve Act went into effect in 1913 it was to give the ability to expand or contract money supply. "There was no intent ever to tax banks," he said. The Fed has paid \$56.8 billion to the Treasury since 1947, \$7 billion of this in 1978 alone, he stated, so there has been a significant tax on member banks.

"The Federal government is the prime cause of inflation," Dr. Swearingen said. "This has led the Treasury to issue more bonds, and more bonds require more financing, which leads to inflation because the rate goes up when people want at least 3% more return than the inflation rate. "The Fed," he said, "then imposed more reserves on banks to control inflation but this won't do it because Congress keeps spending."

Dr. Swearingen lists the net cost to Fed members as \$1.1 billion per year—"and this was over \$2 billion one year."

He asked, "Has the Fed done all it can legally do to stop the outflow of banks from the System? The answer is 'no.' It could lower reserves, redefine reserve cities, permit member banks to count Treasury bills and bonds as part of required reserves, it could allow access to the discount window as a right and not a privilege, improve Fed services to banks, and deny some Fed services

to non-member banks to make its Fed membership more attractive."

The Fed, Dr. Swearingen averred, "does not need all banks. It can accomplish more control by uniform reserves on all who provide transaction services—including General Motors, for example." He said he supports uniform reserve requirements, with institutions carrying them where they choose. Some banks might be hurt by such requirements, he said, but reserve levels could be set low.

Regulations

Joe Pinola, chairman and chief executive officer of Western Bancorporation, Los Angeles, which has banks in Wyoming, as well as other western states, pinpointed the changes in banking due to regulatory strictures and the competition permitted from thrift institutions without equal and fair rules under which banks must operate.

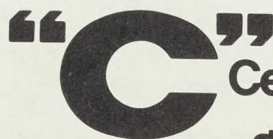
"One of the chief contributors to inflation is government regulations," Mr. Pinola pointed out. "Chase Bank of New York estimates regulatory compliance costs the nation's business firms and industry \$100 billion, while the Director of the Budget figures it at \$131 billion. General Motors alone spends \$1.3 billion in complying

REGULATIONS. . .

[Turn to page 4, please]

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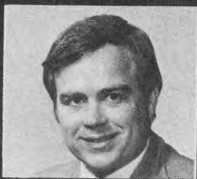
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Iowa News

The Iowa Bankers Association, in cooperation with the Iowa Bankers Insurance & Services, Inc., is offering a comprehensive one-day curriculum on insurance and protection.

Topics will include the bankers blanket bond, internal controls, security organization and administration and general crime. The Insurance and Protection Management Symposium is designed for chief executive officers and senior management of Iowa banks \$100 million and under.

Sessions will be held as follows:

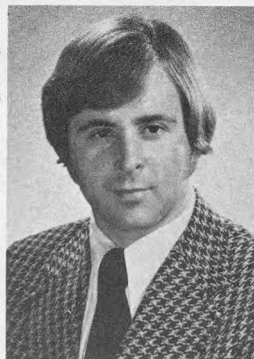
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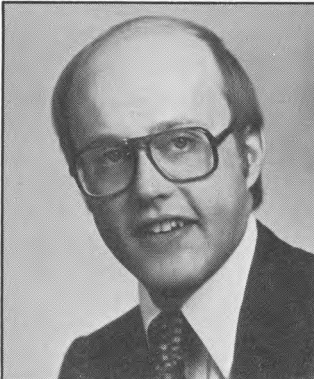
**Merchants
National Bank** 
Cedar Rapids, Iowa 52401 A BANKS OF IOWA BANK

July 23—Five Seasons, Cedar Rapids; July 24—Adventureland, Des Moines (Altoona), and July 25—Harbor House, Storm Lake.

ATLANTIC: Northwest Bancorporation has made an offer to purchase all outstanding shares of the Atlantic State Bank pursuant to a tender offer mailed June 28. All directors of the bank have agreed to tender their shares in accordance with the offer. The acquisition, which is subject to approval by regulatory authorities, would give Banco a total of 11 banks in Iowa and its first in the southwestern corner of the state. Atlantic State had assets of \$56.4 million and deposits of \$50.3 million on March 31.

BLAIRSTOWN: Brenton County State Bank here has increased its common capital from \$100,000 to \$150,000 by stock dividend.

BURLINGTON: Vincent P. Cullen has retired as chairman of the First National Bank of Burlington. He joined the bank as executive vice president in 1937, was elected president in 1957, and chairman in 1971. Francis W. Kamman has retired as vice president. He joined First National in 1958. Gene Krenz has joined the bank as vice president-commercial loans. Most recently he has served as a national bank examiner for the Comptroller of the Currency in the Des Moines region.



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DYSART: Dysart State Bank has increased its common capital from \$150,000 to \$300,000 by stock dividend.

ELMA: Glen Altfillisch has been elected president of the Peoples Savings Bank here. He joined the bank in 1972 as executive vice president and a director. A. M. Saylor, formerly president, continues as chairman of the board.

Nebraska News

FRIEND: The First National Bank recently celebrated its 100th anniversary by hosting a "Picnic in the Park." The bank is one of the 15 oldest banks in Nebraska.

OMAHA: Packers National Bank plans to move into new headquarters at 23rd and L Streets either late this month or early August.

LINCOLN: Union Bank & Trust Co. plans to move its non-bank operations to an office building at 48th and Calvert Streets.

RALSTON: Dave Fox has been promoted from assistant cashier to cashier of the Ralston Bank.

WALLACE: James L. Farmer has been appointed executive vice president of the Farmers State Bank. Most recently he served as vice president and cashier. Jim Artz, who formerly worked for a bank in Tuscola, Ill., was named cashier.



NEW ISSUE

MOODY'S: A 1

\$11,000,000
FREMONT, NEBRASKA
Electric System Revenue Bonds, Series 1979

Dated: July 1, 1979

Denomination: \$5,000

Both principal and semiannual interest (January 1 and July 1, first coupon due January 1, 1980) payable at the office of the County Treasurer of Dodge County, Fremont, Nebraska.

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

MATURITIES

	<u>5.20%</u>			<u>5.60%</u>	
\$290,000	July 1, 1980	5.20	\$535,000	July 1, 1990*	NRO
310,000	July 1, 1981	5.20	565,000	July 1, 1991*	NRO
	<u>5.25%</u>			<u>5.70%</u>	
330,000	July 1, 1982	5.25	600,000	July 1, 1992*	NRO
350,000	July 1, 1983	5.25	640,000	July 1, 1993*	NRO
	<u>5.30%</u>			<u>5.75%</u>	
370,000	July 1, 1984	5.30	680,000	July 1, 1994*	NRO
	<u>5.40%</u>		725,000	July 1, 1995*	5.85
395,000	July 1, 1985*	5.35	770,000	July 1, 1996*	5.90
420,000	July 1, 1986*	5.40		<u>5.90%</u>	
445,000	July 1, 1987*	5.45	815,000	July 1, 1997*	5.95
	<u>5.50%</u>		865,000	July 1, 1998*	6.00
475,000	July 1, 1988*	5.50	920,000	July 1, 1999*	6.00
500,000	July 1, 1989*	NRO			

* Optional in inverse order beginning July 1, 1984 at 101%; and July 1, 1994 at 100%.

LEGALITY TO BE APPROVED BY BAIRD, HOLM, McEACHEN, PEDERSEN, HAMAM & HAGGART, ATTORNEYS, OMAHA, NEBRASKA.

Fremont is located in eastern Nebraska, about 25 miles northwest of Omaha. The City is the County Seat of Dodge County and is surrounded by some of the most productive farmland in Nebraska. The population of Fremont is presently estimated at 26,000 up from 22,962 in the 1970 Census and 19,698 in 1960. An estimated 1,500 additional people living outside the City limits are also served by the electric system. There are three banks and two savings and loan associations in Fremont with combined assets of approximately \$490,000,000. Major employers located in Fremont include George A. Hormel (meat packing, 1,000 employees); Campbell Soup (chicken processing, 400 employees); Pendleton Wollen Mills (garments, 160 employees) and Stormer, Inc. (metal buildings, 100 employees). In addition, there are about 35 other industrial concerns with 10 to 50 employees each, many of which do various kinds of processing of agricultural products raised in the area. Included among these are five formula feed mills, four concrete product plants, three alfalfa processing plants, three hybrid seed processors, the largest soybean plant in the State, a large flour mill, a corrugated box factory and a large nursery.

The proceeds of this issue will be used to construct a dry-ash handling system at the Wright Power Plant and to refund \$8,000,000 presently outstanding bond anticipation notes. They are being issued under the provisions of Sections 18-412 and 18-103 through 18-1805 of the Nebraska Revised Statutes. In the opinion of counsel, these bonds together with the \$20,675,000 presently outstanding electric revenue bonds dated July 1, 1973, are legal and binding obligations of Fremont, Nebraska, payable from the future net revenues of the electric system. The system's generating capacity totals 156,500 kilowatts. The system also has interconnections and sales revenue with Omaha Public Power District. The system presently has 11,747 connected customers.

HISTORIC EARNINGS

	<u>1978</u>	<u>1977</u>	<u>1976</u>
Revenues	\$13,920,867	\$11,462,045	\$7,788,034
Expenses	9,135,898	7,649,388	5,531,234
Net revenues	<u>\$ 4,784,969</u>	<u>\$ 3,812,657</u>	<u>\$2,256,800</u>

COVERAGES

Average debt service	\$1,978,679	Maximum debt service	\$2,467,200
Coverage of average	2.42X	Coverage of maximum	1.94X

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FIRST NATIONAL LINCOLN

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YORK: Melvin Kroeker has joined the York State Bank & Trust Co. as a vice president. He formerly served as cashier of the Henderson State Bank.

Minnesota News

HUTCHINSON: Citizens Bank & Trust Co. has received consent from the FDIC to establish a detached facility at the corner of Echo Drive and Oakland Avenue here.

MINNEAPOLIS: First Minnehaha National Bank has received consent from the Comptroller of the Currency to open an office at Crestridge Lane and Pilot Knob Road in Eagan.

MONTGOMERY: Montgomery Bancorporation, Inc. has received consent from the Federal Reserve Board to become a bank holding company by acquiring Citizens State Bank of Montgomery.

ST. JAMES: Citizens State Bank of St. James has increased its amount of capital stock from \$75,000 to \$82,000 by the sale of new stock.

Illinois News

BUSHNELL: Farmers & Merchants State Bank of Bushnell has received consent from the FDIC to establish a facility in the 500 block of West Main Street here.

CHICAGO: The National Bank of Austin has received consent from the Comptroller of the Currency to establish an office at 6400 W. North Ave. here.

CHICAGO: Central National Chicago Corporation has reported that Banco Hispano Americano, a Spanish bank, is conducting a study to determine if there is a basis for negotiations for the latter bank to acquire Central National. The study is expected to be completed by mid-August. Although preliminary discussions have been held, there is no assurance negotiations will follow. Approval of banking authorities in the United States and Spain

would be required. Central National's principal subsidiary is the \$650 million asset Central National Bank.

Colorado News

CORTEZ: An application for a charter for the proposed Valley National Bank of Cortez has been approved by the Comptroller of the Currency. The bank's agent is William P. Johnson.

DENVER: The board of the United Bank of Denver has elected Richard A. Kirk chief executive officer. Mr. Kirk adds this responsibility to his present duties as president. He succeeds John D. Hershner who will continue as chairman of the board.

LAMAR: First National Bank in Lamar has received consent from the Comptroller of the Currency to open an office at 400 S. Main St. here.

TRINIDAD: The First National Bank in Trinidad has received consent from the Comptroller of the Currency to establish an office at South Commercial and First Streets here.

Montana News

Robert F. Burke, president, First National Montana Bank of Missoula, was elected president of the Montana Bankers Association for 1979-80 at the 76th annual convention in Sun Valley, Idaho, late last month. He succeeds Paul D. Caruso, president, First Security Bank, Helena. Vice president is Jerry B. Wallander, president, First State Bank, Froid, and treasurer is Bob Reiquam, president, First National Bank, Miles City. John T. Cadby, Helena, continues as executive vice president. A full report with pictures will appear in the August NORTHWESTERN BANKER.

North Dakota News

BISMARCK: State Bank of Burleigh County Trust Company

opened a drive-in/walk-up facility at 1730 N. 13th St. here last month.

FARGO: David Wehrman has been promoted to vice president-commercial loans at the First National Bank & Trust Co. of Fargo. He joined the bank in 1974 and presently manages the commercial loan department.

GRAND FORKS: Dennis R. "Bing" Larson has been elected senior vice president and cashier of the First National Bank in Grand Forks. He had served as vice president and cashier since January, 1978. Herbert J. Stennes was named senior vice president and will assume responsibilities in asset management and credit administration. Jean Straub was elected audit operations officer.

WEST FARGO: The West Fargo State Bank has increased its capital stock from \$500,000 to \$700,000 by stock dividend.

South Dakota News

ABERDEEN: The Aberdeen National Bank has changed its name to First Bank (NA).

HURON: E. E. (Gene) Pugsley and Merle W. Marshall have been named executive vice presidents of Farmers & Merchants Bank here and will assume immediate responsibility for the bank's management. W. M. Griffith has announced his retirement as board chairman effective August 1. Leland L. Steele will continue as president of the bank until his retirement on November 1.

Wyoming News

George W. McIlvaine, president, Saratoga State Bank, was elected president of the Wyoming Bankers Association for 1979-80 at the 71st annual convention at Jackson Lake Lodge recently. He succeeds E. J. "Woody" Haines, president, First National Bank, Laramie. New first vice president is George E. Cooke, president, American National Bank, Powell. Second vice president

4 is Al E. Bradbury, president, First National Bank, Evanston. M. Clare Mundell, Laramie, continues as executive director. A full report with pictures will appear in the August NORTHWESTERN BANKER.

GILLETTE: H. F. Esmay, chairman of the Stockmen's Bank & Trust Company, has announced his retirement from an active position as an officer with the bank. He joined the bank in 1956 as executive vice president and manager, and was elected chairman in 1965.

SARATOGA: James I. Collins has been promoted to assistant vice president of operations at the Saratoga State Bank. He joined the bank in February after service with the Colorado National Bank, Denver.

REGULATIONS . . .

[Continued from page 1]

with regulations. Someone has to pay the bill, so costs and prices go up."

Mr. Pinola defined regulations today as "prescriptive, as opposed to the old concept of proscriptive; that is, regulations today are 'Thou shalt,' instead of the old 'Thou shalt not'." He suggested as one remedy a slowdown in the legislative process—perhaps biennial instead of annual sessions. "At the same time," Mr. Pinola warned, "we need impeccable conduct on our part—high moral conduct and ethics."

Mr. Pinola predicts our economy will continue unstable and uncertain, with increasing competition and increasing government intervention. "I hope we see some alleviation of regulations in the 1980s," he stated. Mr. Pinola feels the best opportunities for the future lie in the western states. □

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Cashier: 25 Million bank, North Central Iowa. Data processing, on accrual accounting system. Good salary, excellent fringe benefits. Contact W. D. Ley, President of Farmers Trust & Savings Bank, Buffalo Center, Iowa 50424. (PA)

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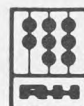
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