

NORTHWESTERN Banker Newsletter

Vol. 8 No. 50

Des Moines, Iowa

April 7, 1980

Fed Extends Bank Stock Loans

NEW guidelines for acquisition debt used in the formation of one-bank holding companies have been announced by the Federal Reserve Board. The relaxed rules make it easier to finance the costs of forming small one-bank holding companies by increasing, in effect, the authorized period of debt repayment from 12 years to 18 years.

The Board changed a policy in effect since 1971 for the purchase of banks with total assets of \$150 million or less. The change requires the parent company to reduce its debt-to-equity ratio to 30% within 12 years, and have little or no non-banking activities.

The Fed Board also agreed to receive requests for applying the new standard to acquisition of larger community banks on an individual case basis. Also, it will consider on an individual basis the application of the new standard on a retroactive basis to bank holding companies of less than \$150 million to give them relief for debt arranged under the old 12-year regulation. The rapidly rising cost of interest is putting extreme pressure on many of these loans.

One large correspondent bank department manager has told his executive committee and board of directors that with the current rate of interest, his department will be satisfied with collecting its interest alone during 1980. The extension of

debt term to 18 years could ease this burden to some degree. However, the same official said notes are written to provide the rollover at regular intervals at newly negotiated interest rates, and such debt would be placed again on an extended basis at the end of 12 years.

The entire matter appears academic at this time with prime rates of interest at 20%, and extreme pressure on earnings for banks in 1980 further creating a squeeze. However, interested observers from



the Independent Bankers Association of America, which has pursued this goal for several years, and the American Bankers Association agree that such regulation will be beneficial when the financing of bank stock loans becomes viable again.

The ABA points out, also, that Congress has already spoken through the depository reform act that it wants the Fed to loosen up such loans to a 25-year term, and Congress may not be satisfied with the step just taken by the Fed.

In its initial proposed regulations issued last year, the Fed offered to extend the years from 12 to some longer term, but in turn demanded that no dividends could be paid out until the remaining 30% equity debt was erased. That proposed regulation was withdrawn, but dividend payment still is subject to three conditions.

The Fed's policy of requiring the amount of acquisition debt to be limited to 75% continues in force. That 75% is to include debt incurred by the owners of the holding company to finance the acquisition, even if the debt falls outside the direct obligation of the holding company. The Fed said this was included to discourage "off balance sheet" averaging by owners. An exception will be if owners can prove their personally held debt can be handled without recourse to the holding company. □

Iowa News

The Iowa Bankers Association will host its first CEO Conference April 21-22 at the Gateway Center Hotel in Ames. Among the topics to be covered are NOW accounts, competition for funds, spread management and investments. Workshops on compliance, personnel and subpoenas and confidentiality will be included.

ALBIA: Peoples National Bank here has received permission from the regional administrator of na-

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2 tional banks to exercise fiduciary powers.

ALTA VISTA: The Alta Vista State Bank recently transferred \$100,000 from undivided profits to surplus. The bank's total capital accounts are now \$600,000.

DAVENPORT: Richard R. Horst has joined Davenport Bank & Trust Co. as a correspondent officer. Most recently he was executive vice president of the Farmers Savings Bank, Princeton.

HAMPTON: The First National Bank here has received consent from the regional administrator of national banks to exercise fiduciary powers.

MARSHALLTOWN: C. C. Hope Jr., president of the American Bankers Association and vice chairman of the First Union National Bank, Charlotte, N.C., will be the featured speaker at the Iowa Valley Chapter of the American Institute of Banking's annual dinner meeting. The event will be held at the Best Western Regency Inn south of Marshalltown at 6:30 p.m., April 16.

MAXWELL: Patricia K. Scoville has been appointed assistant cashier at Maxwell State Bank, it was announced by Morgan D. Monroe, president. She has been with the bank since August, 1973.

OSCEOLA: Forest T. Lewis, former president and chief executive officer of Plaza State Bank, Des Moines, has been retained by the Osceola State Bank & Trust Co. as

executive assistant to the president.

SIOUX CITY: Charles J. Tice resigned recently as senior vice president of Security National Bank to become executive vice president of American National Bank in Springfield, Mo., a member of First Charter Bank Holding Co., Kansas City. He was succeeded as head of Security's commercial loan division by William Kabourek, vice president, as announced in an earlier issue.

Nebraska News

The Nebraska Bankers Association executive council met March 27 in Kearney and ratified the slate of officers proposed by the nominating committee for election at the annual convention in Omaha May 5.

William W. Cook Jr., president of the Beatrice National Bank, was nominated as president-elect for 1980-81. He would automatically become president of the NBA in 1981-82. He would succeed Jerry Roe, president of Bank of Bennington, current president-elect, who will move up to the NBA presidency for 1980-81 at the May convention. Mr. Cook's father, William W. Cook Sr., was NBA president in 1965-66.

Nominees for the executive council are: L. J. Fox Jr., First National Bank, Albion; Ronald J. Krejci, Schuyler State Bank; Robert W. Johnson, State Bank of Benkelman; Joe J. Huckfeldt, Gering National Bank; Harold Walton, Center Bank, Omaha, and Thomas D. Potter, National Bank of Commerce, Lincoln.

HOWELLS: Dana Dannelly of Dodge has been named president of The Howells Bank succeeding Elmer L. Bradley Jr. who is retiring. The appointment completes the transfer of bank control to the Howells Investment Co. which purchased the bank last July.

SOUTH SIOUX CITY: The 1980

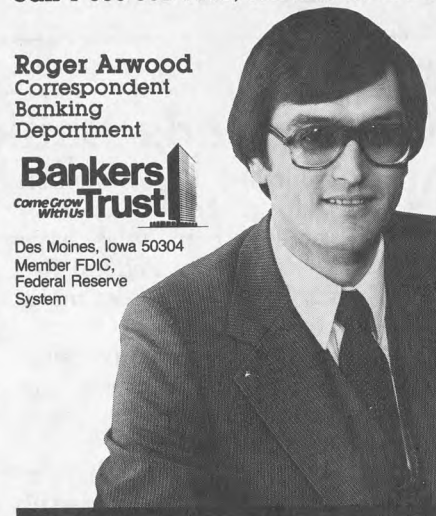
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Spring Conference of the Missouri Valley Chapter of the Robert Morris Associates will be held April 17-18 at the Marina Inn here. Featured topics to be discussed include problem loan workouts, cash flow analysis, energy and motivation and human resources.

Minnesota News

MINNEAPOLIS: F&M Savings Bank has announced the formation of F&M Mortgage Corp., a residential and income mortgage banking service corporation subsidiary. Miles C. Babcock, senior vice president of F&M, has been elected president of the new corporation.

PINE RIVER: The Pine River State Bank has received consent from the FDIC to establish a detached facility in Emily.

RUTHTON: Buffalo Ridge State Bank of Ruthton has received consent from the FDIC to establish a

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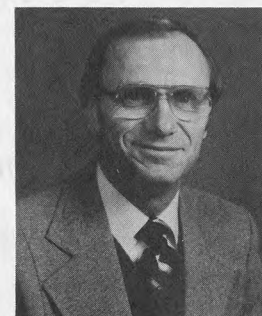
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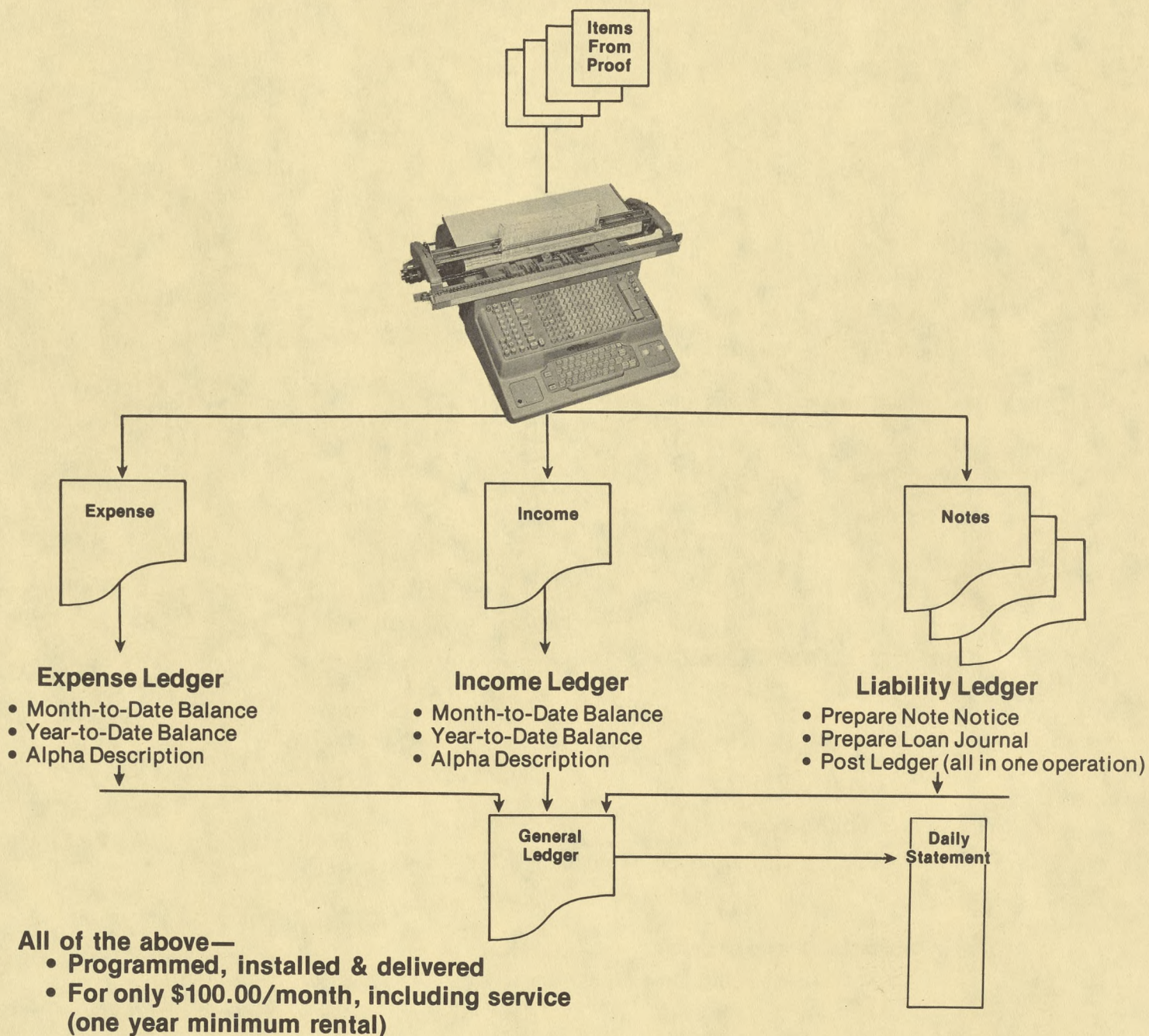
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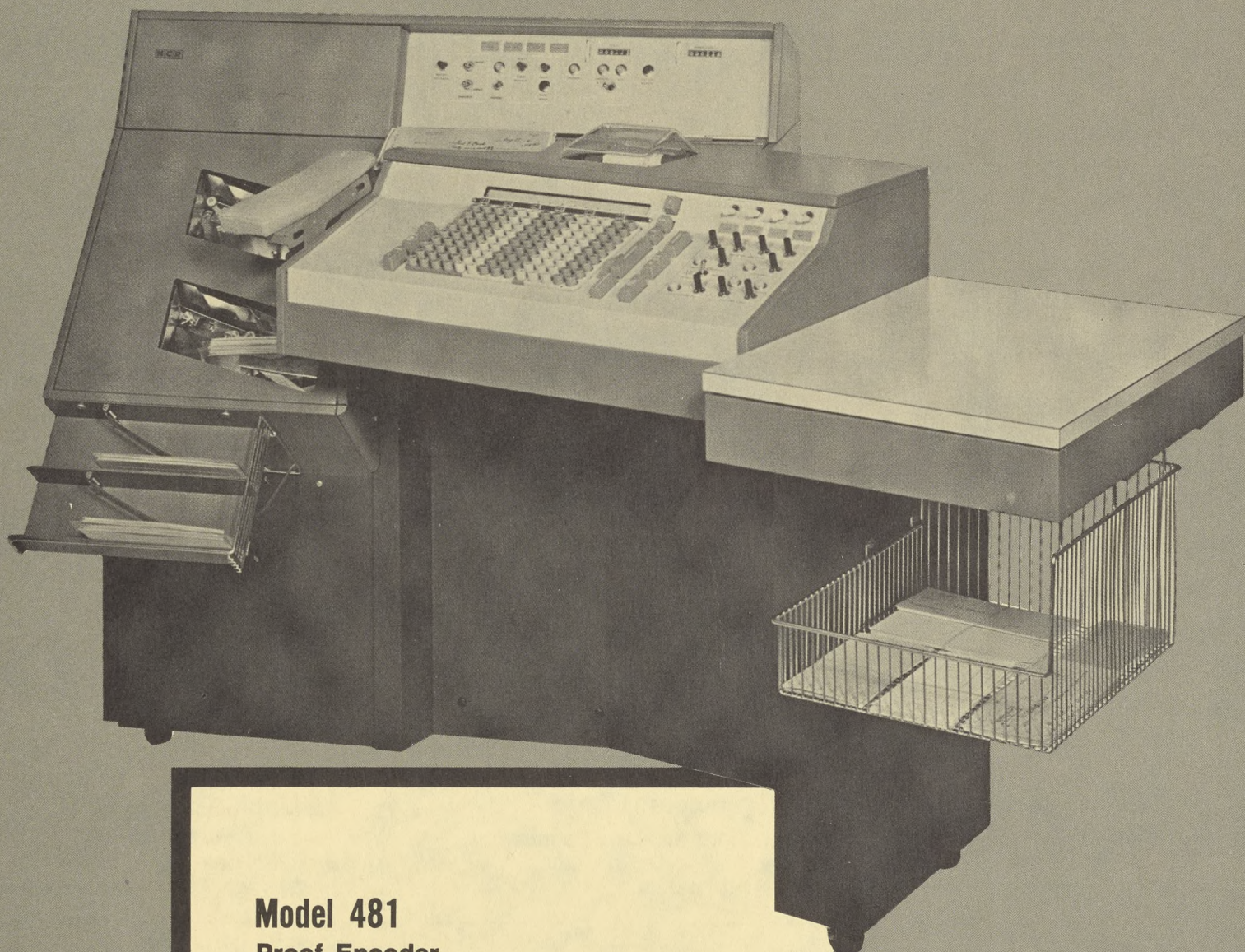
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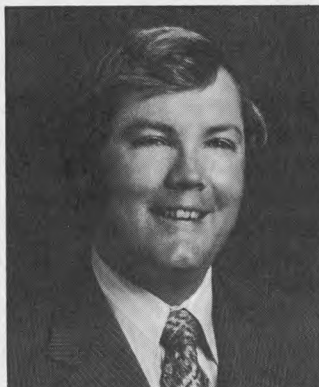


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detached facility in Holland.

Illinois News

BLOOMINGTON: Peoples Bank of Bloomington has received consent from the FDIC for federal deposit insurance upon withdrawal from the Federal Reserve System.

HOMewood: The Bank of Home-wood has received consent from the FDIC to establish a facility in Hazel Crest.

MILAN: The Blackhawk State Bank here has received consent from the FDIC to open an office in Rock Island.

MOUNT VERNON: Security Bank & Trust Co. has received consent from the FDIC to establish a remote service facility in General Tire and Rubber Company's industrial plant here.

PECATONICA: The Bank of Pecatonica has announced a 100% capital increase, from 2,000 to 4,000 shares of stock. The bank's capital is now \$400,000.

North Dakota News

DICKINSON: Dennis White has joined the Liberty National Bank & Trust Co. as vice president. He formerly was senior vice president of Farmers State Bank of Minnewaukan. Leon Schaible has been pro-

moted from assistant cashier to cashier.

South Dakota News

LEMMON: The Bank of Lemmon has increased its number of shares from 2,500 to 3,000, each with a par value of \$100.

Colorado News

AURORA: The First National Bancorporation, Denver, has received consent from the Federal Reserve System to acquire all the outstanding shares of Buckingham Square National Bank here. The acquisition would bring to 13 the number of banks in the holding company.

DENVER: Century Bank and Trust has received consent from the FDIC to establish a remote service facility at 77 Madison St. here.

DENVER: Ted R. Johnson has been elected chairman of Boulevard Colorado National Bank. He has been a director since 1963 and has been active in banking for 50 years.

GOLDEN: Joe L. Williams has been named vice president and cashier of the Golden State Bank. He formerly held the same position at Weld Colorado Bank in Greeley.

GREELEY: Sam L. Leeper has been named executive vice president of the First National Bank of Greeley. He formerly served as



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Montana News

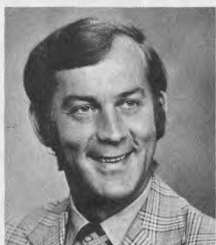
BILLINGS: Kenneth D. Carson has been elected assistant vice president-agricultural loans at the First Northwestern National Bank here. He formerly was branch manager of the Eastern Idaho PCA in American Falls.

GREAT FALLS: Fred Sodomka has joined the Northwestern National Bank of Great Falls as human resources officer, and Charley Switzer was recently appointed an agricultural loan officer.

GREAT FALLS: The First National Bank of Great Falls has applied for permission from the regional administrator of national banks to locate CBCT units at Holiday Village and the Westgate Shopping Center here.

Wyoming News

CHEYENNE: Larry L. Hassler recently joined Wyoming Bancorporation as corporate auditor. He had been a commissioned national bank examiner residing in Grand Island, Neb.



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Prime Hits 20%

Chase Manhattan Bank of New York led the way to a prime of 20% April 2. The highest prime rate in history, it was the ninth increase in one month and the 15th since January 1. The prime was 13½% when the Fed announced its first credit restrictions last October 6.

Monfort President Resigns

Samuel D. Addoms has resigned as president of Monfort of Colorado, Inc., citing "management differences" over recent decisions. He will remain as a director of the firm. Kenneth W. Monfort will resume his former post as president. Mr. Addoms is well-known to midwest bankers in his previous capacity as an officer in the correspondent bank division of Continental Bank, Chicago.

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Burroughs L9000 Minicomputer Model 9944-200 with two cassette drives Model A9490-25, stripped ledger reader. Excellent condition; under maintenance. Contact Cooper Hanson at Data Systems, (402) 426-4117. (FS)

NCR 481 Proof Machine in excellent condition. Pleasantville State Bank, Pleasantville, Iowa 50225. (515)848-5741. (FS)

Banks For Sale—Southern and southwest Minnesota; \$4 million in footings each. Good management; insurance agencies; good communities, and good earnings. Write file JBW, c/o Northwestern Banker. (FS)

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Loan Officer/Representative—Immediate opening for a loan officer with one or two years of loan experience for a south central South Dakota branch of Northwestern National Bank of Sioux Falls (Banco). Ag background desired. Send resume and salary history to: Steve Johnson, Northwestern National Bank, Box 1028, Sioux Falls, S.D. 57101. (PA)
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Executive Vice President—South Minnesota \$20 million bank looking for aggressive individual with a strong lending and operations background. Heavy in all types of agricultural lending, especially with cash flows. Excellent salary and benefits. Send resume to file KBA, c/o Northwestern Banker. (PA)

WANTED—Individual with all insurance and real estate licenses to manage a new insurance agency in a \$20 million Iowa bank. Send resume and salary requirements to file KBB, c/o Northwestern Banker. (PA)

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EVP—Responsibilities will cover all areas for this small bank. Must be a generalist. \$28,000

LENDING—Work in ag, commercial & real estate. Position is with Illinois bank. \$14,000

TRUST OFFICER—South Dakota bank. Be responsible for administration, investments, reporting & marketing. A good position.

AG OFFICER—Growing Nebraska bank is expanding its ag department. Spot offers excellent promotability.

OPERATIONS—Will oversee operations, personnel & reports. EDP experience a strong plus. \$15,000

TRUST—JD a must; estate planning experience very important. \$25,000

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AG OFFICER—Livestock experience is a must for this southwest Iowa bank. \$20,000

ASST CASHIER—New position. Experience a must; charge card experience a big plus. \$13,000

LOAN OFFICER—Must have commercial experience in a \$150MM+ bank. \$35,000

LENDING—Northwest Iowa bank. Outstanding opportunity; will be groomed for #2 spot. \$15,000

LOAN OFFICER—Solid installment or commercial experience needed. Experience in both a big plus. \$19,000

VP—Work in commercial and direct junior officers. Looking for strong experience. \$28,000



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