

NORTHWESTERN Banker Newsletter

Vol. 9 No. 10

Des Moines, Iowa

June 30, 1980

Consider Premium Ban, Gas Coupons

EVERY banker should be aware of two important matters that merit the personal attention of each executive officer. The first is the call by the Federal Depository Institutions Deregulation Committee for comment on the committee proposal to ban merchandise premiums for attracting deposits. The second is the Department of Energy proposal to create a gas rationing coupon system that would have to be administered by the nation's financial institutions and could cripple the system, with the cost being borne by the institutions!

Premium Ban

Because of the intense interest in the Depository Institutions Deregulation Committee proposal to ban premiums, the deadline for comment has been extended to July 16, instead of the original cutoff date of June 16. The comments should be addressed to Norman R. V. Bernard, executive secretary of the committee, Federal Reserve Building, 20th Street & Constitution Avenue, N.W., Washington, D.C. 20551.

The Bank Marketing Association has filed a statement with the committee opposing its action, stating that bank management should not be subjected to additional restrictions on their ability to attract deposits. BMA President Norwood

W. "Red" Pope said, "Our board is not making a judgment on whether banks should or should not offer premiums. Our opposition is aimed primarily at the principle of adding a greater regulatory burden on finan-

Illinois Officers



Posing in front of the old courthouse in St. Louis after their election are 1980-81 Illinois Bankers Association officers (left to right): **Donald R. Lovett**, 2nd v.p.; **James A. Fitch**, 1st v.p.; **Jack D. Lemmerman**, pres., and **Thomas M. Rochford**, treas.

cial institutions at a time when the pressing public need is for less regulation."

John H. Guinan, president of Christmas Club a Corporation of Easton, Pa., also strongly opposes the ban on premiums. "At a time in our economic history when banking institutions are badly in need of savings funds," he wrote the committee, "such an action would be counter-productive. Bank premiums are a tested and proven method of convincing young people in particular to start the savings habit. Without this type of incentive, many people would spend their dollars rather than saving, and this would add to inflation."

A spokesman for the American Bankers Association said the ABA is anxious to have the opinions of its members on this matter of premiums. He said the bankers participating in the recent Government Relations Council session where the proposal was initially discussed were ambivalent in their responses. Since that time, apparently, many have given further thought to the subject and, considering that it may be as much as six years before equity in interest rate competition is achieved with thrifts, have decided that there should be no ban on premiums. Since ABA will be testifying before the committee, it desires to have as much member input as possible.

At their annual convention in
PREMIUM BAN . . .
(Turn to page 3, please)



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ABA to Visit China

C. C. Hope, Jr., president of the American Bankers Association, is scheduled to head a four-man ABA delegation which will spend 12 days in the People's Republic of China from August 4-16. Arranging the trip was Norman Ross, chairman of ABA's communications council and senior vice president, First National Bank of Chicago, a frequent visitor to China the past three years. He will accompany Mr. Hope, along with Willis Alexander, ABA executive vice president. They will be joined by K. J. Luke, chairman, Hawaii National Bank, Honolulu.

Barry Sullivan Named First Chicago Chairman

Barry F. Sullivan, 49, executive vice president at Chase Manhattan Bank N.A., New York, has been named chairman and chief executive officer of First Chicago Corp., effective July 28, to succeed A. Robert Abboud, who resigned April 28. The announcement was made June 25 by Ben Heineman, a director of First Chicago who has headed the holding company's search team for a new chief executive. He said Mr. Sullivan's salary at First Chicago will be \$375,000 and with bonuses will be more than \$500,000, compared to the \$400,000 salary and bonus package he had at Chase.

Iowa News

CELEBRATION: Stephen P. Men-
Federal Reserve Bank of St. Louis

zner has been promoted from assistant vice president to vice president in charge of marketing at Peoples Bank and Trust Co., according to Ted J. Welch, president, following the June board meeting.

DES MOINES: Hawkeye Bancorporation has contracted to purchase Capital City State Bank here, which has assets of \$90 million, according to Paul D. Dunlap, president of Hawkeye, and H. Jack Moors, president of Capital City State Bank. No personnel changes are planned. Hawkeye has \$1 billion in assets and Capital City would be the 25th bank in the holding company, if the contract is approved by the Federal Reserve Board.

DES MOINES: Leland S. Long, formerly with the farm management department of Central National Bank & Trust Co., has joined Agri Industries here.

GRINNELL: Loan officers David S. Burrell and Dennis H. Hanson have been promoted at The Poweshiek County National Bank to assistant vice president and assistant cashier, respectively. The announcement was made by President Max A. Smith.

MAQUOKETA: The public was invited to a recent open house to view the new West Platt Street detached office of Jackson State Bank. The architectural design for this project was done by the Kirk Gross Company of Waterloo.

SHENANDOAH: H. H. Broadhead, Jr., chairman, First Stock Yards Bank, St. Joseph, Mo., won the Southwest Iowa Bankers Golf Tourney with a 72. Don Ostrand, vice president, First National Bank, Omaha, scored a 75.

SIBLEY: The Federal Reserve Board on June 23 approved purchase of First National Bank here by Hawkeye Bancorporation. The bank has assets of nearly \$20 million and will become Hawkeye's 24th bank when the transaction is completed July 31.

Illinois News

BELLWOOD: Bank of Bellwood is seeking permission to establish a facility at 1759 North Mannheim Road, Stone Park.

ROCK FALLS: John W. Glover has been named president and chief executive officer of the Community State Bank. He was formerly president of Lake Forest National Bank.

Currently, Mr. Glover is director of District 5 of the BAI.

WHEATON: Nancy L. Singer has been advanced to executive vice president and Eugene S. Usecheck has been elected vice president and cashier. Ms. Singer, now the second ranking officer of the bank, joined Bank of Wheaton in May, 1977, as assistant vice president. Mr. Usecheck joined the bank in 1973 and now will be the senior officer responsible for collections, customer accounting and operations.

Nebraska News

OMAHA: David C. Applegate has joined Nebraska State Bank as president. He was formerly assistant vice president at Bank of Nebraska in LaVista, and earlier worked at Keith County Bank in Ogallala.

OMAHA: Edgar M. Morsman, Jr., 41, senior vice president at United States National Bank, is moving to Minneapolis to become vice president of loan administration for Northwest Bancorporation. He will be succeeded as manager of the commercial banking division at U.S. National by Ronald E. Schneider, 34, vice president and commercial banking officer.

Minnesota News

ELMORE: The First National Bank has scheduled open house on July 11 from 9:00 a.m. to 8:30 p.m. and July 12 from 9:00 a.m. to 3:00 p.m. for the public to view its new bank building.

HASTINGS: Merle D. Borchers has been elected president of Northwestern National Bank, effective August 1. He will succeed Richard P. Pike, who is retiring to pursue other business interests. Mr. Borchers joined Northwestern National Bank of Omaha, his home town, in 1964, and moved to Banco headquarters in Minneapolis two years later. Since 1977 he has been vice president-banking business group in Banco's corporate office.

LAKEFIELD: The First National Bank has converted to a state charter under the name of First Trust Bank of Lakefield. All officers

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MOODY'S: A

Dated: April 1, 1980

Denomination: \$5,000

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

MATURITIES

<u>6.40%</u>			<u>6.50%</u>		
\$10,000	April 1, 1981	5.20	\$100,000	April 1, 1991*	6.50
20,000	April 1, 1982	5.35		<u>6.60%</u>	
20,000	April 1, 1983	5.50	115,000	April 1, 1992*	6.60
25,000	April 1, 1984	5.60		<u>6.75%</u>	
30,000	April 1, 1985	5.70	115,000	April 1, 1993*	6.75
30,000	April 1, 1986	5.85		<u>6.90%</u>	
30,000	April 1, 1987	6.00	120,000	April 1, 1994*	6.90
80,000	April 1, 1988	6.10		<u>7.00%</u>	
80,000	April 1, 1989*	6.25	120,000	April 1, 1995*	7.00
80,000	April 1, 1990*	6.40		<u>7.10%</u>	
			125,000	April 1, 1996*	7.10

*Optional in inverse numerical order beginning April 1, 1988 at 100%.

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The City of Rice Lake is located on U.S. Highway 53, about 100 miles northwest of Minneapolis and St. Paul, and about 50 miles north of Eau Claire, Wisconsin. The City is the principal trade center for a large area extending to a 50 mile radius. Retail business is the backbone of the City economy, with figures showing the City among the highest per capita retail sales in the State. The City serves a trade area estimated at a population of 40,000. Transportation is by U.S. Highways, the Soo and Northwestern Railroads, Greyhound Bus Lines, six truck carriers and the Wisconsin Northern Transportation Company. Retail establishments include national chains such as Schultz Bros., Wards, Penneys, Coast to Coast, Gambles and Woolworth as well as local firms. Major employers include: Wright Products, Nichols Homeshield, Birchwood Manufacturing, Mascott Foods, and American Enterprises.

These bonds are being issued in accordance with Wisconsin Statutes in order to finance various corporate projects and to refund outstanding indebtedness. In the opinion of counsel, these bonds are legal and binding general obligations of the City of Rice Lake, Wisconsin, and all taxable property located 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

Equalized valuation, taxable property, 1979	\$137,087,850
Assessed valuation, taxable property, 1979	88,517,710
Net direct debt, including this issue	2,494,860
Total direct and overlapping debt	2,962,911
Population, 1980 estimate: 7,860	
	Direct debt per capita: \$317.41
	Total debt per capita: 376.96

Under Wisconsin Statutes, a City always receives 100% of the taxes levied for it, as the County assumes all delinquencies.

We own and offer subject to prior sale and change in price and subject to our attorney's approving opinion:

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and directors remain the same.

ST. PAUL: Susan K. Schultz has resigned as cashier at Capital City State Bank to join First National Bank in Hudson, Wis., according to K. A. Heiser, executive vice president of the Wisconsin bank.

Montana News

GREAT FALLS: Jerry Girres has been promoted to assistant vice president-personnel at First Bank Great Falls, according to John Reichel, president. Mr. Girres has been with the bank since 1964.

Colorado News

Three savings and loans in the state have been ordered by the Federal Home Loan Bank Board to cease offering interest-bearing checking accounts. One, the Otero Savings & Loan Association, says it will fight the order from the FHLB and that its 11 branches will continue offering its Check-In account. All three s&ls maintain they are not doing anything illegal under Colorado law. The other two institutions are Majestic Savings & Loan, Denver, and Golden Savings & Loan, Golden.

DENVER: FDIC coverage has been approved for the new Charter Bank and Trust, which has \$1 million capital and is located in Englewood.

Wyoming News

CASPER: Thomas H. Hogan has been elected vice president and manager of the commercial loan department at Wyoming National Bank here. The appointment was announced by Robert W. Miracle, president. Mr. Hogan moves to Casper from Central Bank of Cleveland, Ohio.

PREMIUM BAN . . .

(Continued from front page)

Duluth earlier this month, members of the Minnesota Bankers Association voted for the elimination of premiums. The resolution said the MBA "urges support of the Federal Depository Institutions Deregulatory Committee's proposal to prohibit the use of merchandise premiums for deposit accounts because

the current regulation setting dollar limits for premiums cannot be effectively monitored or uniformly enforced, thus frustrating consumer savings programs by encouraging the shift of account balances in response to premium promotions. The elimination of premium giveaway programs will permit all financial institutions to compete equally for deposit accounts through the offering of competitive market rates."

A letter from the Northwestern Banker publisher to Mr. Bernard at the DIDC office states, "It seems strange that the first action taken by your so-called Deregulation Committee is a proposal to further regulate the banking industry by outlawing the use of premiums. Premiums have long served as an effective marketing tool, and there is a greater need for them now, as interest rates fall.

"As we see it, banning premiums will further erode deposits and the incentive to save—thus increasing inflation."

The current rate of savings in the United States is estimated at 3%, while in Japan it is reported to be 22%!

Gas Rationing

The ABA was to testify last Friday before a House subcommittee to voice its strong opposition to the proposed gasoline rationing coupon proposal from the Department of Energy. Since Congress earlier sidestepped the touchy issue by authorizing the Department of Energy to set up a gasoline conservation program, the Department of Energy came up with the gas coupon pro-

gram. Under this, the nation's financial institutions would be obligated to hold, count, handle, distribute and account for an estimated five billion paper coupons every 90 days! By contrast, the Federal Reserve Bank, which is assigned overall responsibility for supervision of this nightmare, has its hands full accounting presently for 1.3 billion pieces of currency in circulation. As proposed by the D of E, the financial institutions, meaning primarily the 42,000 banking outlets, would bear the expense of the program. The director of the IRS, as quoted by ABA President C. C. Hope, Jr., testified to Congress he wanted it that way because if his office did it there would be adverse public reaction to IRS and it would cost too much money!

As the matter now stands, unless the House and Senate both vote to block the D of E proposal, the plan will go into effect, thus creating a law in reverse of the usual procedure.

Sen. Bennett Johnson of Louisiana has a proposal before the Senate, which is endorsed by ABA, to price gasoline higher with a tax so that price rationing is imposed. The tax money created would be recycled to cut income tax withholding. Since this is an election year, Senate leaders so far have avoided scheduling any hearings on the proposed bill.

ABA solicits the support of all member banks, their staffs and their customers in opposing this measure by writing to Congressmen and the Department of Energy, with copies to the ABA. □

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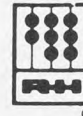
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