

NORTHWESTERN Banker Newsletter

Vol. 9 No. 14

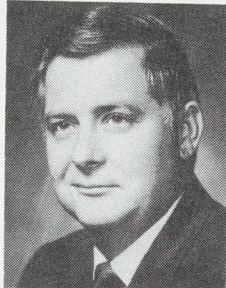
Des Moines, Iowa

July 28, 1980

Banker "Draws the Line" on Capital

ONE OF the recurring criticisms directed to federal regulatory authorities during the series of Leadership Conference seminars sponsored by the American Bankers Association, to bring area bankers together with the regulators, has been the charge of a two-tier system of regulation. The bankers who perceive regulation taking this direction, state that federal regulators are constantly urging and harassing smaller banks to maintain a higher level of capital, while permitting major banks in the largest cities to operate on a much lower capital ratio.

At the recent Chicago meeting, John E. Ryan, director of the Federal Reserve's supervision and regulation, defended Fed policy on bank holding company applications in which large banks are permitted ratios as low as 3% and 4%, while smaller banks under \$100 million are required to have 8% capital. He said the 8% ratio is "defensible" in several ways because of a broader base in portfolio and customers of larger banks, the higher level of management expertise and a more diversified economic base.



P. D. DUNLAP

He was challenged, in turn, by an Indiana bank president to show why some larger institutions couldn't weather the past decade when they were so diversified and flexible. The Fed's theory "doesn't fly," the banker stated, while smaller banks are told to move up to an 8% base while Bank of America and Citibank are permitted very low ratios.

One banker who finally said he'd had enough and refuses to have any more to do with the Comptroller's pressing demand for more capital is Paul D. Dunlap, president of Hawkeye Bancorporation, Des Moines, which owns 24 Iowa banks, has an application pending with the Fed to acquire Capital City Bank of Des Moines, and currently has \$1 billion in assets. Mr. Dunlap says Hawkeye has been pursued unnecessarily by the regional comptroller's office in Kansas City for more capital for its Clay County National Bank in Spencer. His recent letter to that office follows:

Mr. John Rogers
Deputy Regional Administrator of
National Banks
Kansas City, Mo.

Dear Mr. Rogers:

For four years . . . your office has complained that the Clay County National Bank, Spencer, capital to loan ratio is not within its peer group average. As a result you have requested additional capital be injected into the bank and dividends paid by the bank be reduced.

Your position is untenable. We have supplied hundreds of pages of information over the past four years showing Clay County National Bank as one of the highest asset quality and consistent earning banks in the state of Iowa. The bank meets all other peer group averages including capitalization. On April 30, 1980, the bank had assets of \$40.4 million, loans of \$27.2 million (67% of assets) and capital and reserves of \$3.3 million (8.18% of assets). Return on average assets in 1979 was 1.24%. Loan losses were a minuscule .008% of loans outstanding. Clay County National Bank is by all measures a high performance, well managed bank.

. . . Spencer is a dynamic community and the surrounding agricultural area heavy in cattle feeding requires a bank to lend fully its funds if the loan demand is to be met.

. . . Earlier this year *Pratt's Newsletter* referred to the fact Congress felt it necessary in the new omnibus banking law to make three separate statements that the Comptroller of the Currency is to follow the law, yet the Comptroller and his underlings daily make statements that they are doing everything possible to spread Walter Wriston's Citicorp across the nation regardless of the McFadden Act. The Comptroller's office in its grab for power under the guise of more competition is willing to sacrifice 13,000 rural banks and destroy the dual system of banking. It is hard for a rural Iowa bank to accept what the regulators are willing to do on the national scene when to us they apply oppressive, smothering, rigid regulations, supposedly justified by "Congress made us do it!"

"Truth-in-regulation" is needed far more than "truth-in-lending." What is said in your Washington office as to the new examination procedures, how capital adequacy is viewed; the weight to be given to good management; the strength a bank holding company gives its banks; that the "peer group analysis" is merely a tool in the arsenal and not to be used in an inflexible mode is unrecognizable when it comes out of the Kansas City Regional Office applied by your exam-

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2 iner. Your application cannot be reconciled to the many press releases telling the public how great is the enlightened procedure.

Our Company and our bank in Spencer are drawing the line. We will no longer respond or discuss with you the fact we are not in your peer group risk asset ratio. We intend to do absolutely nothing in regard to cutting our dividends or injecting capital. Take whatever course you wish. We will resist the blind, incoherent, misapplied and burdensome application of bureaucracy with all the resources we have.

Respectfully,
Paul D. Dunlap
President

When asked about the letter, John Burt, regional administrator in Kansas City, stated only that it was an unsolicited letter and he would have "no comment." Mr. Dunlap reports he has had no response from any federal office concerning the letter but has 20 letters from other bankers supporting his position.

In a similar vein, Iowa superintendent of banks, Tom Huston, has taken sharp issue with the Federal Reserve System on several points. In the first instance, his department, after careful investigation, had given the principal of an Iowa one-bank holding company approval on the application for a stated management fee for the subsidiary state chartered and supervised bank. Within a short time, the Fed undercut that decision by notifying the principal the fee was denied, thus leaving the banker with two conflicting orders. Mr. Huston has made it plain to the Fed that he has

regulatory authority over the state bank in question, and if the Fed has any reason for a different opinion contact him instead of the bank.

In a talk this month to Iowa bankers, Mr. Huston also warned about the Fed's apparent effort to run rough-shod over state departments and state banks with its memos of understanding, its determined efforts—not authorized by Congress—to tamper with bank structure, and its even greater control over interest rates after Reg Q phase-out—via its money supply controls. □

Frank Farrar Offers to Take Over Kansas Bank

Frank L. Farrar, a well-known banker with interests in 20 banks in six upper midwest states, has made application to the Federal Reserve Bank of Kansas City for approval of M.S.B. Holding Co., of which he is the principal stockholder, to acquire 85% of the stock of Mission State Bank & Trust Co. of Mission, Kan. Mr. Farrar, a former governor of South Dakota, will put in \$2 million of capital, while the holding company and current owners also will contribute \$2 million each for a pool of \$6 million capital under the new financing. Mission State had assets of \$101 million last year-end and has been seeking additional capitalization. A Kansas City Fed official said a decision would be made within a few days.

Iowa News

Several dozen Iowa bankers are expected to attend the annual Iowa Bankers Association Instalment Lending School, to be held August 11-15 at Drake University in Des Moines.

The school is designed both to introduce the relatively inexperienced banker to the instalment area and to update the resources of the more experienced lender. Officers and employees of IBA active or associate members are eligible to participate in the school.

CLINTON: The First National Bank has received consent from the administrator of national banks to locate an office in the 1600 block of Lincolnway here.

COLFAX: Charles M. Stinson, president of the First National Bank here, has been elevated to chairman of the board, the office vacated by the retirement of Howard E. Bell.



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The new president is James W. Eiler, most recently vice president in charge of lending at the University Bank & Trust Co., Ames.

DALLAS CENTER: Roger Winterhof has been named president of the Brenton State Bank here succeeding Roger Rinderknecht who was named president of the Jefferson State Bank. Mr. Winterhof formerly served as cashier of the Dallas Center bank before moving to the Brenton First National Bank in Davenport in 1972. He was most recently senior vice president.

DES MOINES: Voldemars Vanags has been named second vice president, investment services, at the Iowa-Des Moines National Bank. Most recently he was a second vice president in the correspondent banking department. Named to the position of international banking officer were Thomas J. Naughton and James G. Oettinger.

DUBUQUE: The First National Bank of Dubuque has received consent from the regional administrator of national banks to locate a CBCT unit at 3355 Asbury here.

KALONA: New officer appointments at the Farmers Savings Bank

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NEW ISSUE

SALE DATE: July 17, 1980

\$1,765,000
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General Obligation Bonds

MOODY'S: A

Dated: June 1, 1980

Denomination: \$5,000

Both principal and semiannual interest (June 1 and December 1, first coupon due on December 1, 1980) payable at the Treasurer's Office, Grinnell, Iowa.

IN THE OPINION OF COUNSEL INTEREST ON THESE BONDS IS EXEMPT FROM ALL PRESENT FEDERAL INCOME TAXES AND ALL PROPERTY TAXATION IN THE STATE OF IOWA.

MATURITIES

	<u>6.50%</u>			<u>6.60%</u>	
\$ 70,000	June 1, 1982	5.10	\$125,000	June 1, 1992	6.60
75,000	June 1, 1983	5.25		<u>6.80%</u>	
80,000	June 1, 1984	5.40	130,000	June 1, 1993	6.80
85,000	June 1, 1985	5.55		<u>7.00%</u>	
90,000	June 1, 1986	5.70	135,000	June 1, 1994	7.00
95,000	June 1, 1987	5.85		<u>7.10%</u>	
100,000	June 1, 1988	6.00	140,000	June 1, 1995	7.10
	<u>6.40%</u>			<u>7.25%</u>	
110,000	June 1, 1989	6.10	145,000	June 1, 1996	7.25
	<u>6.25%</u>			<u>7.40%</u>	
115,000	June 1, 1990	6.25	150,000	June 1, 1997	7.40
	<u>6.40%</u>				
120,000	June 1, 1991	6.40			

LEGALITY TO BE APPROVED BY AHLERS, COONEY, DORWEILER, HAYNIE & SMITH, ATTORNEYS, DES MOINES, IOWA

Grinnell, the principal City of Poweshiek County, is located in the central part of the State of Iowa, approximately 50 miles east of Des Moines. The City serves as the financial, industrial, shipping and trading center for the surrounding prosperous and productive agricultural area. Grinnell is the home of Grinnell College, one of the Nation's foremost liberal arts colleges. The City also serves as the division point for the several sizable utilities, Iowa Southern Utilities and General Telephone Co. DeKalb Hybrid Seed Co. and Cargill Seed Co. maintain large processing plants within the City. The City is also the home of the Grinnell Mutual Reinsurance Co., Cornland Manufacturing Co., Ahrens Manufacturing Co. and Donaldson Manufacturing Co. Industry in the City employs approximately 2,300 persons of the 8,685 total population. There are two banks located in Grinnell with total deposits as of December 31, 1979, in excess of \$63,690,000. Transportation facilities are provided by U.S. Highway No. 6, U.S. Interstate No. 80 and State Highway No. 146.

These bonds are being issued under the provisions of Chapter 384, Code of Iowa, 1979, as amended, to pay the costs of reconstructing, improving and equipping the former junior high school building as a Grinnell Community Center to provide administrative offices, public meeting and recreation facilities and an auditorium. In the opinion of counsel, these bonds are legal and binding general obligations of Grinnell, Iowa, 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

Actual and assessed value of taxable property, 1979	\$89,531,121
Direct debt, including this issue	2,785,000
Total direct and overlapping debt	4,373,400
Population, 1975 Census: 8,685	Direct debt per capita: \$320.67
	Total debt per capita: 503.56

Tax collections have approximated 102.18% of taxes levied for the past five years.

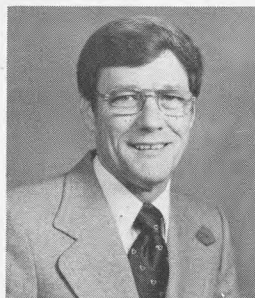
We own and offer subject to prior sale and change in price and subject to our attorney's approving opinion:

The information contained herein 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.

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include Larry E. Kern to senior vice president; Eileen Yotty, vice president; Margaret Miller, assistant vice president; Gary A. Kallaus, cashier, and Delores Spitzer, assistant cashier.

KEOKUK: Richard A. Bishop, president of the Security State Bank, has been named a regional executive for Northwest Bancorporation, Minneapolis, effective August 1. J. Agnew Rovane, senior vice president, will become the bank's new president.

SPILLVILLE: Funeral services for Charles J. Andera, 84, were held earlier this month in Spillville. He was retired from the Citizens Savings Bank there after 40 years of service.

Nebraska News

The regional administrator of national banks has reported the following CBCT unit application activity for Nebraska banks:

Overland National Bank of Grand Island, Highway 281 and 13th Street, approved; First National Bank & Trust Co., Lincoln, 13th and High Streets and 48th and Van Dorn, approved; The Omaha National Bank, 12039 Blondo St., filed.

HASTINGS: Lloyd R. Kitrell has been elected chairman and chief executive officer of the City National Bank & Trust Co. He joined the bank as president and chief executive officer in 1973. O. J. McDougal, executive vice president of the bank since 1973, was elevated to president and chief operating officer.

OCONTO: The Farmers Bank here will celebrate its 75th anniversary on Saturday, August 2, with an open house.

quist III has been named president of the York State Bank & Trust Co. He joined the bank in March after serving as president of the Bank of Nebraska in LaVista. He was executive vice president of the First National Bank, Columbus, and was with the National Bank of Commerce in Lincoln for 16 years.

Minnesota News

ALDEN: The First National Bank of Alden has received consent from the administrator of national banks to open a facility at the intersection of U.S. 69 and West Main Street in Albert Lea.

HOPKINS: Northwestern National BankWest here has received consent from the administrator of national banks to establish an office in Plymouth.

Illinois News

ARLINGTON HEIGHTS: Tollway-Arlington National Bank of Arlington Heights has received consent from the administrator of national banks to open an office at 450 Higgins Road in Elk Grove.

ARLINGTON HEIGHTS: An application by the First Arlington National Bank in Arlington Heights for an office at Arlington Heights and Rand Roads has been denied by the administrator of national banks.

AURORA: Organizers of the proposed Citizens National Bank of Aurora have received charter approval from the administrator of national banks. Agent for the corporate reorganization is Charles R. McKirdy.

CHICAGO: H. Peter DeRosier, vice president at National Boulevard Bank, has been appointed head of the correspondent bank division. He fills the position vacated by George Dearborn, who will become vice

chairman and chief executive officer at LaPorte (Ind.) Bank & Trust Co. Mr. DeRosier joined National Boulevard's correspondent division in 1969.

CHICAGO: Archer National Bank of Chicago has received consent from the administrator of national banks to open a facility at 47 Street and Kedzie Avenue.

CHICAGO: Thomas J. Dammrich has been elected vice president and director of education of the Illinois Bankers Association. He joined the IBA as director of education in 1978.

South Dakota News

PHILIP: Philip Bancorporation, Inc. has filed for permission from the Federal Reserve Bank of Minneapolis to become a bank holding company by acquiring the majority of common stock in the First National Bank of Philip.

PIERRE: The state banking commission was recently reorganized. Elected chairman was Charles H. Burke, president of BankWest, N.A., Pierre, and Beverly Zigler was re-elected secretary to the commission. James I. Deam, president of the American State Bank, Yankton, was re-appointed to the commission for a term to expire in July, 1983.

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4 SIOUX FALLS: Western State Bank has received consent from the state banking commission to change its name to Western Bank.

WEBSTER: The Day County Bank here has increased its amount of capital stock from \$125,000 to \$150,000.

Colorado News

COLORADO SPRINGS: Construction was scheduled to begin this summer on a new facility for the Garden of the Gods Bank, one of the first passive solar bank buildings in the country, according to Stephen S. Laine, president. Completion is planned for the spring of 1981.

DENVER: Organizers of the proposed The First National Bank of the Southwest here have received charter approval from the administrator of national banks. Agent for the new bank is Theodore D. Brown, chairman and chief executive officer of The First National Bancorporation, Inc.

Montana News

MISSOULA: George Henry, a Dillon banker and former vice president at the First National Bank of Minneapolis, is recovering from a stroke at Community Rehab Center, Fort Missoula, 59801. Phone (406) 543-6378.

Wyoming News

CHEYENNE: Wyoming Bancorporation has entered into an agreement in principle for private placement of an \$8 million issue of 8.5% convertible subordinated debentures due in 1992, according to David R. Johnson, president. Texas Commerce Bankshares of Houston and Standard Security Life Insurance Co. are the two principals in the purchase. The transaction is subject to Federal Reserve Board approval.

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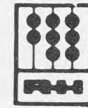
TRUST OFFICER—Experience needed. Will eventually take full responsibility for department. \$21,000

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JR. COMMERCIAL LOAN—\$30MM Iowa bank seeks junior officer with formal credit analysis experience. 18K

PRESIDENT—Opportunity for investment in \$15MM bank. Strong ag and commercial experience required. 30K

CASHIER—Excellent opportunity for junior officer with 2-3 years operations experience. 16K

EXEC. VICE PRESIDENT—New charter in growing suburban area. Will have opportunity for #1 spot in two years. 30K

CASHIER—Solid operations background and some knowledge of EDP systems for #2 spot in \$20MM rural bank. 22K

SENIOR AG LOAN—\$25MM rural bank with opportunity for president's position in two years. 28K

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