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Forecasting C&I Loans Is 'Iffy'

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IN THE PAST, the task of providing a reasonably accurate recast of C&I loans for the banking system has been relatively easy when compared to some of the more unstable indicators of our business. Now, when that forecast has joined the ranks of wrongly qualified predictions which must be receded by the word "if" reiterated a number of times. For example:



J. D. MANGELS

1. The tax legislation enacted earlier this year constitutes a radical change in the treatment of corporate depreciation and other incentives so that cash flow projections may be altered considerably.

2. Another "if" factor is the present level of interest rates.

3. The market for commercial paper and bankers acceptances has grown so huge in recent years, and so many new entrants are using this form of financing, it is a problem to know how to divide up 1982's total estimated demand for short-term

credit between bank loans and these other instruments.

4. And, finally, complicating the ability to forecast is the highly ambiguous percentage of such loans being granted by non-bank subsidiaries of bank holding companies.

As a starting point in looking at 1982, we first need to estimate the 1981 volume of C&I loans for all commercial banks. One could just use the business loans of the weekly reporting banks as a proxy for the whole system. Through November, 1981, such loans had been increasing at a 9.3% annual rate. However, we at Rainier tend to think that the money center banks are receiving a greater proportion of C&I loans than many of the medium and smaller size institutions around the country, and that the increase is misleading. A more likely range is somewhere between 7-1/2% and 9%. Using average-for-the-year figures, this means that such loans will be up someplace between \$23 and \$27 billion (or, going year-over-year from December, around \$32 billion). We tend to be a bit conservative, believing that C&I loans will have shown a definite tapering off in the fourth quarter of 1981 after a surge in the second and third quarters, and that we'll end up at around a 7% gain.

As we move into our estimate for 1982, we are working from an economic outlook that forecasts little or

no growth for the first three months and then a rather modest increase in the second quarter of 1982. It doesn't appear that the economy is going to pick up steam until the last half of the year, quite possibly hitting an annualized growth rate of 10% in the last quarter.

Our interest rate scenario indicates that both mortgage rates and long-term bond yields will be conducive to a much larger volume of corporate and personal borrowing as we move into the third quarter. This could quite possibly give a significant boost to all forms of commercial bank lending, not including the business category.

But, candidly, what we don't know how to assess in regard to that period is how the personal tax cuts are going to be handled by individuals in either reducing outstanding debt or adding to various types of savings accounts. Other and newer forms of savings such as the IRA accounts and all savers certificates could add considerably more funds, alleviating pressure on interest rates even if banks experience higher loan volumes.

What this all adds up to, all qualifiers considered, is that this form of business credit should increase much more slowly than it did during the second and third quarters of 1981. Our projected range for 1982 is between 5-1/2% and 8-1/2% growth, with a "best guess" estimate of around 6-1/2%, with in-

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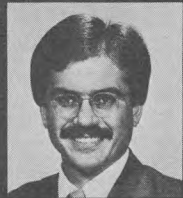
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dividual banks going more or less depending on their aggressiveness and individual pricing strategies. Such a percentage growth is just slightly less than the anticipated underlying rate of inflation in 1982, so that the real volume of such loans would probably decline very modestly.

In conclusion, let me say, lest you think we are chagrined at all the variables and the increasing difficulty in forecasting virtually anything, that nothing could be further from the truth. These are extremely exciting times for bankers. Uncertainty has a way of stimulating innovation and competition, of which our customers will be the ultimate beneficiary. And the best and the boldest will be the most profitable. □

Iowa News

CEDAR RAPIDS: Peoples Bank and Trust Co. has recently announced the promotion of the following six officers: Margaret E. Billings and Marilyn L. Jonas to vice presidents; Cornie W. Bender and Elaine A. Ott to assistant vice presidents; Diane L. Evans to trust officer, and Mary McCuen Ernst to marketing officer.

DES MOINES: Larry Wenzl, president of Capital City State Bank, has announced the recent election of Thomas J. Clark as senior vice president and cashier, responsible for bank operations. Mr. Clark has been

employed by the Chevrolet Motors Division since 1961, most recently as assistant zone manager for Iowa.

DES MOINES: Henry H. Byers, 90, died last week of a heart ailment. Mr. Byers formed Bankers Service Co. in Des Moines in January, 1948, after moving from Omaha where he had been associated since 1925 with The Charles E. Walters Co. Both firms were engaged in the bank brokerage business. Mr. Byers sold the firm more than 10 years ago.

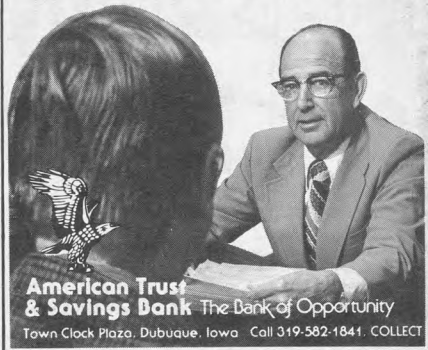
Nebraska News

The Cornhusker Chapter of Bank Administration Institute will meet January 19, 6:30 p.m., at Knolls Country Club in Lincoln. Bert Evans, PhD, and an economist for the University of Nebraska, will discuss the 1982 agriculture outlook.

GERING: Joe Huckfeldt, president of Gering National Bank and Trust Co., and a group of local investors have purchased controlling interest of the bank and of Pioneer Savings Co., pending Federal Reserve approval.

KEARNEY: First National Bank and Trust Co. has recently announced the following promotions: Tom Stuckey to senior vice president and senior loan officer; Mel Wiens to senior vice president and

**"Opportunity
Talks..."** Robert Scott,
Correspondent Banker



Jon Abegglen to vice president. Newly elected officers are Dorothy Bragg in personnel and Bob Neville in operations.

LINCOLN: George A. Frampton, 87, retired president of Cornhusker Bank, died recently. He was the bank's president from 1948 to 1975, remaining as its vice president and chairman until his death. His daughter, Alice M. Dittman, is currently president of the bank. Mr. Frampton, who began his banking career in Denton in 1914, founded the Iowa State Bank in Des Moines in 1941 and served as its president until December, 1946. He later moved to Lincoln.

Minnesota News

ALBERT LEA: Arthur S. Lund, 89, chairman of the board of Security State Bank, died recently at St. John's Lutheran Home. He is survived by his wife, Ferne, and two sons.

WHEATON: Gordon C. Donnelly, president of State Bank of Wheaton, has been elected Minnesota director of the Independent Bankers Association of America. Mr. Donnelly, who succeeds Russell Hanson of Benson, will serve a three year term.

Illinois News

AURORA: Robert J. O'Connor has been promoted to senior trust officer and Paul M. Greene has been promoted to trust officer by the board of The Old Second National Bank. Mr. O'Connor joined the bank in 1973 in the trust department. Mr. Greene practiced law for two years before joining the trust department of the bank in 1979.

CHICAGO: Jackson W. Smart, Jr., chairman of Central National Bank has announced the recent promotion



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NEW ISSUE

\$530,000 IOWA FALLS, IOWA Water Revenue Bonds, Series 1981

Dated: December 1, 1981

Denomination: \$5,000

Both principal and semiannual interest (June 1 and December 1, first coupon due June 1, 1982) payable at the Office of the City Treasurer, Iowa Falls, Iowa.

IN THE OPINION OF COUNSEL THESE BONDS ARE EXEMPT FROM PRESENT FEDERAL INCOME TAXES, IOWA FRANCHISE TAX AND ALL PROPERTY TAXATION IN THE STATE OF IOWA

MATURITIES

	<u>11½ %</u>			<u>11¼ %</u>	
\$10,000	June 1, 1982	9.00	\$40,000	June 1, 1992	11.25
20,000	June 1, 1983	9.00			
20,000	June 1, 1984	9.25		<u>11½ %</u>	
20,000	June 1, 1985	9.50	\$50,000	June 1, 1993	11.50
25,000	June 1, 1986	9.75			
25,000	June 1, 1987	10.00	\$55,000	<u>11¾ %</u>	11.75
30,000	June 1, 1988	10.25		June 1, 1994	
30,000	June 1, 1989	10.50			
35,000	June 1, 1990	10.75	\$65,000	<u>12 %</u>	12.00
				June 1, 1995	
	<u>11 %</u>			<u>12¼ %</u>	
\$35,000	June 1, 1991	11.00	\$70,000	June 1, 1996	12.25

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

Iowa Falls, the largest City in Hardin County, is located in the central part of the State of Iowa about 95 miles northeast of Des Moines. The City serves as a trading center for the surrounding prosperous agricultural area which contains some of Iowa's most productive land. Agriculture is the predominant economic base of the area, however, the City has shown industrial and commercial growth. Major employers in Iowa Falls include Farmland Foods, Inc., Weaver Construction Co., and Ralston-Purina Co. Iowa Falls has two banks with deposits exceeding \$67,738,000. Transportation is provided by the Chicago Northwestern and the Illinois Central railroads, Interstate Highway No. 35, U.S. Highway 69 and State Highway No. 3. The City owns and operates a modern 24-hour airport and the population is presently estimated at 6,174.

The bonds are being issued to provide funds to pay a portion of the cost of improvements and extensions to the Municipal Waterworks.

EARNINGS STATEMENT

The following operating statements were extracted from the official audits of the City:

Years Ending 6-30:	<u>1981</u>	<u>1980</u>	<u>1979</u>
Receipts:			
Water Sales	\$201,314.00	\$196,135.00	\$158,014.00
Other Income	3,832.00	4,416.00	1,646.00
Total	<u>\$205,146.00</u>	<u>\$200,551.00</u>	<u>\$159,660.00</u>
Operating & Maintenance	<u>\$123,251.00</u>	<u>\$123,057.00</u>	<u>\$123,567.00</u>
Operating Profit	\$ 81,895.00	\$ 77,494.00	\$ 36,084.00

The following is a Pro Forma Operating Statement:

	<u>Actual 1981</u>	<u>Adjustment</u>	<u>Pro Forma</u>
Water Sales	\$201,304.00	\$40,263.00	\$241,577.00
Other Income	3,832.00		3,832.00
Total	<u>\$205,146.00</u>		<u>\$245,409.00</u>
Operating & Maintenance	<u>123,251.00</u>		<u>123,251.00</u>
Operating Profit	\$ 81,895.00		\$122,158.00

The pro forma operating profit for fiscal year ending June 30, 1981, amounting to \$122,158.00 provides the following coverage:

	<u>Amount</u>	<u>Coverage</u>
Average annual principal and interest	\$78,179.00	1.56X
Maximum annual principal and interest	82,400.00	1.48X

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Rick Patton
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234-2877

of M. Susanne Twomey to vice president and manager of the compliance and control division. Ms. Twomey began her banking career eight years ago and was most recently serving as second vice president.

North Dakota News

The NDBA will host its 1982 Bank Management Conference January 13-14 at the Holiday Inn, Jamestown. It is one of special value for bank directors.

James Lewis, bank management committee chairman and president of The National Bank of Harvey, will preside at the program starting with noon luncheon. After a welcome by NDBA President Tom Roney, president of Foster County Bank & Trust, Carrington, the first address will be given by Richard E. Gandrud, chairman of Mid-America Bankers Service Co. and president, Pope County State Bank, Glendive, Minn., on "MABSCO—What It Will Do for You." He will be assisted by Bryan K. Koontz, executive director, Wisconsin Bankers Assn., Madison.

Harry Argue, NDBA exec. dir., and a representative of Fidelity Management & Research Co., Bos-

ton, will discuss "MABSCO's Money Market Fund." The afternoon will conclude with talks on D&O Liability Insurance by Dennis R. Erdman, reg. dir. of mktg. for MGIC, Minneapolis, and Bankers' Blanket Bonds" by Ed Neuberger, v.p. MGIC Indemnity Corp., Milwaukee.

Thursday's program starts with the Economic Development Commission review by a commission member; Federal Legislative and Regulatory Report by John J. Gill of the ABA in Washington, D.C., and BankPac Report by Roger Berglund, executive vice president, Dakota Western Bank, Bowman. The program concludes with Asset/Liability Management Strategies for 1982 and Beyond by Dr. James V. Baker, pres. & ceo, James Baker and Co., Oklahoma City.

FARGO: David D. Gordon was recently named to succeed C.S. Miller as president, Fargo National Bank & Trust Company, effective January 1. Mr. Gordon has been with the bank since 1968, a director since 1976 and executive vice president and trust officer since 1978. Mr. Miller will continue as president of Northern Plains Bancshares, Inc., the holding company for the bank.

Wyoming News

MOORCROFT: John J. Koller, previously vice president at Newcastle National Bank, has recently been elected president of Moorcroft State Bank. He succeeds Ray Wardell who resigned as president to pursue private business interests. Mr. Wardell was responsible for helping organize the Moorcroft State Bank in 1975.

SHOSHONI: Bob Crocker has been named managing officer of the First State Bank announced Joseph R. Lyman, chairman. Mr. Crocker has been with the bank since 1979, and before that was assistant vice presi-

dent at the First National Bank in Thermopolis. He succeeds Joe Barber who recently resigned as president.

Montana News

BILLINGS: A. Leroy Leavitt, president of Montana Bank of Bozeman, N.A., has been named senior vice president of Montana Bancsystem, Inc. His duties will include credit quality and bank administration. Prior to moving to Bozeman he was senior vice president of United Bank of Greeley, Colorado.

GREAT FALLS: The Federal Reserve Bank of Minneapolis has approved the application by International Bancorporation, Columbia Falls, to acquire The Village Bank.



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Installment Lender with operations and general lending experience wants position in northern Iowa. Salary \$24,000

Operations person with three years of multi-bank holding company experience, wants new situation. Salary \$17,000

Commercial lender with operations background wants new situation as number two man in progressive Iowa bank. Salary \$30,000

Trust Officer with 12 years experience. Salary \$30,000

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SENIOR LOAN OFFICER—Experience in ag lending (\$50 million bank) in community of 8,000 population in northern Iowa. Salary open. Write File OBS, c/o Northwestern Banker. (PA)

WANTED: Employee benefits person capable of taking over aggressive benefits department in Wyoming's largest trust department. Salary commensurate with ability. Excellent benefits package. Position open immediately. Furnish resume to: James Watson, VP/Sr. Trust Officer, Wyoming National Bank, P.O. Box 2799, Casper WY 82602. **EOE/MF** (PA)

IMMEDIATE OPENING available in western Montana in mid-sized bank for an installment loan manager. Collecting experience a must. Knowledge of student loans helpful. Write file OBX, c/o Northwestern Banker. (PA)

LOAN OFFICER—Experience in installment, agriculture, and commercial lending for this growing \$18 million south central Nebraska bank. Some trust experience would be helpful. Salary open. Write file OBN, c/o Northwestern Banker. (PA)

AG LENDING OFFICER—Northwestern Illinois commercial bank with deposit of \$60MM is seeking an agricultural lending officer. This is a progressive bank looking for a young person with several years experience. Send confidential reply to File OBY, c/o Northwestern Banker. (PA)

\$50 million bank in central Iowa community of 4,000 seeks an **AG LENDER**. Salary open. Write file OBZ, c/o Northwestern Banker. (PA)

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C.E.O. - Northern bank seeks officer familiar with all facets of banking with emphasis on Agriculture. Insurance exp a +. Excellent benefits and salary. \$35 - \$40.

COMMERCIAL LENDING OFFICER - Excellent oppty exists for experienced comm'l lender who can lend assistance and maturity to a young, energetic staff. Heavily Ag related position with a lot of comm'l activity. \$25-\$30K.

SR. BRANCH MGR. - IL based S & L seeks individual with 2-4 years of solid S & L exp. Strong administrative and operational skills required to maintain a high standard of customer service. Must have strong managerial abilities. To \$12K.

#2 AG LOAN OFFICER - Need highly motivated, impressive Ag Lender looking to move into #1 spot. Insurance exp a +. Excellent promotional oppty. \$25K.

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Number Two Person for central Iowa community bank. Require operations and ag lending background. To \$28,000

Operations Manager for Wyoming bank located in fast growing area. To \$18,000

Number Two Person for \$100 million midwestern bank. Must be generalist with emphasis on agriculture. Salary Open.

Insurance Agent for community bank in good midwestern city. Salary Open.

Ag Position available in good North Dakota town. To \$18,000.

Write or call Malcolm Freeland, Freeland Financial Service, Inc., 246 Insurance Exchange Bldg., Des Moines, Iowa 50309. Phone 515/282-6462. Employer pays fee.

POSITIONS AVAILABLE

OPERATIONS - all internal operations and cashier duties for \$30MM suburban bank. Definite opportunity for advancement. \$25K

COMMERCIAL LENDER - 3 yrs. or more commercial loan experience with large bank preferred. Could manage dept. within one year. \$30K

INVESTMENT ANALYST - trust division of major midwestern bank seeks senior analyst. Prefer experience with financial institution analysis. \$28K

FINANCIAL OFFICER senior position with \$400MM eastern bank. Must hold CPA certificate and have bank experience. \$Open

CASHIER - challenging position for good operations officer whose career is stymied. Suburban affiliate of one of the largest midwestern holding companies. \$25K

AG LENDER - medium size rural bank with 60% of portfolio in Ag credits. Prefer college grad with Ag Degree and 3-5 yrs. experience. \$24,000

MARKETING - major savings and loan has opening for marketing major with 1-2 yrs. experience in product development. \$20K

SENIOR LOAN OFFICER - \$250MM wholesale oriented bank has an opening for commercial lender with 5 yrs. or more experience. Department head to retire in two years. \$40K

All inquiries confidential.
Salary history and resume' requested.

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