

NORTHWESTERN Banker Newsletter

Vol. 11 No. 12

Des Moines, Iowa

July 12, 1982

An Open Letter to President Reagan

The Hon. Ronald Reagan
President of the United States
Washington, D.C.

Dear Mr. President:

A growing frustration and resentment toward the Depository Institutions Deregulatory Committee, which was ordered by Congress to be formed from among federal regulators of financial institutions, is driving a number of state banker associations and state banking departments to concocting various types of approaches to counteract the refusal of DIDC to take affirmative action in getting on with the business of deregulating the depository institutions.

Specifically, the DIDC has mickey-moused for months now with proposals that would provide the regulated financial depository institutions with an interest-free instrument; one that will allow them to compete with non-financial institutions which have arbitrarily thrust themselves into the deposit-taking business without having to abide by the same federal regulations imposed on the regulated institutions.

As a consequence, the Money Market Mutual Funds, operated by firms such as Merrill Lynch and Sears, Roebuck, have successfully drained away more than \$200 billion from the public into their MMMFs, much of it by taking deposits away from the banks and savings and loans which are forbidden by the DIDC to compete with them. These MMMFs can offer current money market rates and offer any customer what he or she is entitled to—the growing market rate on their funds which they are willing to invest or deposit.

The failure of the DIDC to respond to this need, to say nothing of the mandate of Congress to expedite the deregulation of financial institutions, is a gross miscarriage of justice on the part of the federal government. It is the epitome of what you expressed so succinctly and with great vigor when you told me and others at the Montana Bankers Association

annual convention at Big Sky, Mont., in June, 1977:

- Excessive interference of government in the marketplace, through an overlay of regulations, is stifling trade and business.

- Government is an alimentary canal with an appetite at the one end and no sense of responsibility at the other end.

- Government has no source of revenue except 70 million people in the private sector. Don't count government employees—they're merely returning with taxes part of what was taken from the 70 million to begin with.

- One day what will we have to answer our children when they ask, "Where were you on the day our freedom was lost?"

In case you are not aware of it, Mr. President, bankers from the nation's 14,000 banks are fed up with the lack of action by the majority on the DIDC and the crude, rude, self-serving treatment they are receiving by its chairman, Secretary of the Treasury Donald Regan. In any other position in government—federal, state or local—he would have to disqualify himself from making decisions as a DIDC member. In fact, most other men would honorably acknowledge that such participation is self-serving and would voluntarily refrain from the kind of action he is taking. The hundreds of thousands of bankers he is under-cutting are the ones who have supported you steadfastly in these trying economic times.

It is well-known that he was chairman of the Merrill Lynch investment firm when the Money Market Mutual Fund was developed there. In his present capacity as DIDC chairman he dominates the committee and refuses to take any steps to allow regulated financial institutions to compete with his former employer—other than to say that the staff is "studying" the matter. While the staff has "studied," and has come up with ridiculous proposals that are nothing more than additional regulations, the MMMFs have gone from less than \$100 billion to more than \$200 billion at present.

How do you expect the nation's commercial banks to compete in an even fight with one hand tied behind their backs, and a referee who is a dedicated alumnus of their opponent?

At the June 29 meeting, your appointed cabinet member, Secretary Regan, strode into the meeting room, announced he had one proposal in his pocket (his proposal), he wanted it voted up or down, made it clear he didn't want to waste time on discussion and announced arrogantly he had an important meeting in a half-hour. He beat down proposed sensible discussion by Fed Chairman Paul Volcker and FDIC chairman Wm. Isaac with his take it or leave it demand.

What could be more important for the Secretary of the Treasury than the health of the nation's banks, and the welfare of the customers who have trusted them for decades to give them the best return possible on their money? If that is not important to him, he shouldn't be Secretary of the Treasury and/or shouldn't be on the committee!

He acceded again to the request of Federal Home Loan Bank Board Chairman Richard Pratt and railroaded as part of his proposal that savings and loans would continue to have an advantage over commercial banks of one-quarter percent differential in the interest rate they can offer on savings. The S&Ls, their regulator, Secretary Regan and others are saying the offering of a competitive instrument for the banking industry must be held hostage by the DIDC until S&Ls get expanded commercial banking powers. This, to me, is an assumed authority—one that belongs with Congress, not with the DIDC. The DIDC is for deregulation, not forming law or imposing regulations.

In past years, when their advantage made it possible for S&Ls to raid commercial bank deposits with the quarter percent differential as a tool, and thus have more money to make their long-term mortgage loans that have led to their present problems, S&Ls as much as told banks laughingly, "We don't give a hoot in hell about your problem!" Now that they are in trouble with their long-term mortgage loans, they are suddenly appealing to the

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banking industry, "Please give a hoot in hell about us!"

The lack of action by DIDC, and the total indifference of Secretary Regan to fulfilling his responsibility to *all* segments of the industry supervised by the DIDC, is leading many banker associations and state banking departments to pursue paths that could lead to trouble.

South Dakota's banking board has enacted a regulation permitting state chartered banks in that state, as of July 28, to offer a no-ceiling instrument to compete with MMMFs. They're tired of losing millions of dollars to the MMMFs and then being told by DIDC they can't fight back. North Dakota, New Jersey, Utah, Georgia, Ohio and other states are planning similar action. Yet, federal regulators have said they will take immediate action against any banker or bank trying to take advantage of such state regulation. This could mean a jail sentence, or up to \$10,000 per day per account if bankers try to protect their turf and compete.

Further, it would place bankers in the position of ignoring the federal law and setting a poor example for other segments of American society who are told to respect the law, even if they don't like it.

May I humbly suggest, Mr. President, that you and your advisors look down the road and ask yourselves if you seriously think that any national firm like Merrill Lynch or Sears, Roebuck is going to have the same interest in financing agriculture in our communities, if they are going to have the same interest in financing Main Street U.S.A. as we have with the banking system that has financed this country through its birth, growth and present maturity?

The major problem, Mr. President, is that your Secretary of the Treasury refuses even to think this is a serious problem and will not take action to resolve it. It's time this matter came to a head for the resolution of the immediate serious problem and for clarifying his status.

Since the regulatory personnel on the DIDC are your responsibility, Mr. President, then when the commercial banking industry is

weakened further because it is denied the freedom to compete on behalf of its loyal customers and itself, how will you answer we loyal supporters of yours when we ask you, "Where were you on the day our freedom was lost?"

I earnestly entreat you to take a personal interest in the direction being taken on your behalf by those who have the power to shape the future of our nation's financial industry, but are not doing their job.

Sincerely Yours,

Ben Haller, Jr.
Editor and Publisher
THE NORTHWESTERN BANKER
Des Moines, Iowa

General Bank Equipment Notes Telephone Change

Tom Sternberg, president of General Bank Equipment & Systems, Inc., Omaha, has announced that with the consolidation of its subsidiary, Financial Structures Incorporated, into the parent company, all incoming telephone calls may be made on the GBES main telephone trunk line—402-453-3000. Expanded business offices and plant in the new headquarters in north Omaha now handle greatly increased business from midwestern banks, Mr. Sternberg said. The new facilities serve banks in several states with safe deposit boxes, vault doors, drive-up equipment, security equipment, money pacs and a wide range of office systems and supplies. Sales and service of FSI now are handled by the main staff of GBES, he said.

Iowa News

BODE: Kenneth M. Myers, president of United Central Bancshares, Inc., parent company of United Central Bank & Trust of Algona, and Wilford M. Rood, president of Bode State Bank, have jointly announced that a letter of intent has been executed providing, in substance, for the merger of the assets of Bode State Bank with those of the Algona bank, and for the assumption by the Algona bank of the liabilities of Bode State Bank. It is contemplated that all offices of both banks will continue in operation, with William D. Mullins, president and chief executive officer of UCB of Algona, serving in the same capacity at the resulting bank which will operate under the UCB name. The transaction is subject to approval by State and Federal regulatory authorities.

DES MOINES: Larry L. Wenzl, president of Hawkeye-Capital Bank & Trust, has announced the election of David N. Walthall, 36, as president of the bank on or before September 1, 1982. Mr. Walthall is currently president of State Bank & Trust in Council Bluffs, a member of Hawkeye Bancorporation. Mr. Wenzl, who has been president of Hawkeye-Capital since January of 1981, will remain as chairman and also as a relations officer supervising other banks for Hawkeye Bancorporation.

RED OAK: Jerald D. Solberg began his duties July 1 as executive vice president at Montgomery County National Bank, according to Mark R. Mayne, president. Mr. Solberg previously was executive vice president at Citizens State Bank in Postville.

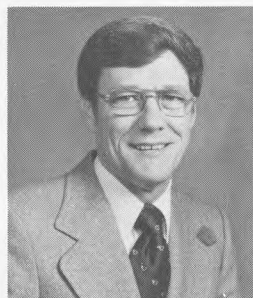
SIOUX CITY: Security National Bank in conjunction with the Bank Administration Institute will conduct a seminar on accrual accounting and financial reporting at the Sioux City Hilton Inn, July 20-21. The seminar is being held in response to the FDIC and Comptroller of the Currency proposal that all banks over \$10 million in size be required to adopt accrual accounting for book and report purposes by January 1, 1983.

Featured speakers will be Karl Walewski, program manager, BAI; Bill Wogstad, vice president and chairman of the asset/liability management committee, Security National Bank; Bill Kristofek, vice president and controller, Commercial National Bank, Chicago; Zane

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NEW ISSUE

MOODY'S: A1

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

\$5,000,000

HARLAN, IOWA

Electric Revenue Bonds, Series 1982

DATED: June 1, 1982

DENOMINATION: \$5,000

Both principal and semiannual interest (April 1 and October 1; first coupon due October 1, 1982) payable at the office of the City Treasurer, City of Harlan, Iowa.

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

MATURITIES

	<u>11½ %</u>			<u>11.25%</u>	
\$ 60,000	October 1, 1983	9.25	\$ 130,000	October 1, 1990	11.00
65,000	October 1, 1984	9.50	140,000	October 1, 1991	11.25
70,000	October 1, 1985	9.75		<u>11.50%</u>	
80,000	October 1, 1986	10.00	\$ 155,000	October 1, 1992	11.50
90,000	October 1, 1987	10.25		<u>11.20%</u>	
100,000	October 1, 1988	10.50	\$3,995,000	October 1, 2002	10.25*/**
115,000	October 1, 1989	10.75			(To put option)

* Callable on October 1, 1992 at par plus accrued interest.

** Par payment at bondholders option (term bonds): October 1, 1985.

LEGALITY TO BE APPROVED BY CHAPMAN AND CUTLER, CHICAGO, ILLINOIS

The City of Harlan, the county seat of Shelby County, is located in Western Iowa, approximately 100 miles west of Des Moines and 45 miles northeast of Omaha. Harlan enjoys a unique position in western Iowa being the only community in this county approximately ten times as large as the next sized community. Because of its size and geographic location Harlan has served as the commercial center of Shelby County and the surrounding territory for many years. Although Harlan is a commercial and trading center, industrial development includes Jacobs Tool Company (hammermills and trenchers); Western Iowa Pork (slaughtering and processing pork); Charter Data Service (data processing); Agri Land-FS (steel buildings, farm accessories) and Harlan Manufacturing Company (food processing equipment). Transportation is furnished by U.S. Highway No. 59, U.S. Interstate 80 and Iowa primary roads. Air transportation is available in Omaha 45 miles away. There are two commercial banks with total deposits of \$84,947,000 as of December 31, 1981. In addition to its commercial banks, there are two savings and loan associations with combined assets of \$281,000,000. The 1980 population was estimated at 5,357.

The Series 1982 Bonds are being issued to refund outstanding Electric Revenue Bonds, Series 1979, Electric Revenue Pledge Orders, and Electric Revenue Pledge Orders, Series 1981, heretofore issued to defray the cost of necessary improvements and extensions to the Municipal Electric Light and Power Plant and System of the City.

STATEMENT OF INCOME

1981

	<u>Actual</u>	<u>Pro Forma</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
Total Gross Revenue	\$1,709,000	\$2,127,000	\$1,884,000	\$2,352,000	\$2,447,000
Total Operating Expenses	<u>982,000</u>	<u>982,000</u>	<u>1,072,000</u>	<u>1,140,000</u>	<u>1,343,000</u>
Net Revenue	\$ 727,000	\$1,145,000	\$ 812,000	\$1,212,000	\$1,104,000
Net Service Coverage	4.28	1.43*	2.25	1.52	1.27

*Debt service coverage related to maximum future principal and interest payments of \$799,050 on outstanding bonds and the Series 1982 Revenue Bonds.

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 are based. Bonds of a particular maturity may or may not still be available or may now be available at a price or yield different from that indicated above.

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Blackburn, director of bank accounting, Comptroller of the Currency, Washington, D.C.; Joseph Schlemme, senior accountant, Deloitte Haskins and Sells, Des Moines, and Richard Waller, vice president, retail banking, Security National Bank.

For registration and cost details contact the Correspondent Banking Department, Security National Bank, 712-277-6554.

Nebraska News

OGALLALA: Keith County Bank & Trust Company recently announced the addition of David L. Christensen, senior vice president, and Thomas A. Dworak, instalment loan manager. Mr. Christensen formerly was serving as vice president at the Security National Bank at Superior. Mr. Dworak brings with him ten years of consumer credit experience, serving most recently as assistant vice president and regional director of a consumer finance company, while residing in Lincoln.

OMAHA: Several officer appointments were recently announced by John D. Woods, chairman and chief executive officer of Omaha National Bank. Promoted to vice president were John W. Blacketer, Joseph E. Glover, Ronald K. Hill and Gene W. Selk. Mr. Blacketer has been serving as manager of information resources. Mr. Glover previously was second vice president, a position he was elected to in 1977. Mr. Hill has been serving as manager of systems and programming since 1979. Mr. Selk is currently senior correspondent and agricultural loan officer.

Minnesota News

AUSTIN: Robert L. Bue has been elected president and chief executive officer of Northwestern State Bank of Austin. Mr. Bue, who has been president of Northwestern State Bank in Jordan, succeeds Allyn C. Martinson, who resigned to take a position as president of United Cen-

tral Bank in Estherville, Iowa. Mr. Bue joined Banco in 1968 as a loan interviewer at Northwestern National Bank Southwest in Bloomington.

ST. CLOUD: Dale Johnson, senior vice president for commercial loans at St. Cloud National Bank and Trust Co., has been named executive vice president of the bank.

ST. PAUL: Robert J. Hall has joined Bremer Service Company, Inc., as vice president-operations. Mr. Hall served in various capacities at the American National Bank & Trust Company from 1958 to 1981, serving most recently as executive vice president at North Valley Bank in Redding, California.

Illinois News

The Illinois Bankers Association has completed its move to new quarters and now is located at 205 West Randolph Street, in downtown Chicago, a short distance away from the old offices at 188 West Randolph. The new ZIP code is 60606. The phone number continues to be 312-984-1500.

South Dakota

VEBLEN: Larry W. Keyes has been named president and a director of Bank of Veblen. Mr. Keyes, a Clark native, has been in the banking field nine years with previous assignments in South Dakota, Wisconsin and Minnesota.

Montana News

The Federal Reserve Bank of Minneapolis recently approved the application by Teton Bancshares, Inc., Fairfield, to become a bank holding company through the acquisition of The First National Bank of Fairfield.

GREAT FALLS: Samuel R. Noel, former vice president and manager



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of the correspondent bank department of Seattle First National Bank, has been named executive vice president for Bank of Montana System, according to Stephen Adams, president and chairman of the holding company. Mr. Noel, a Missoula native, began his banking career in 1956 as a trainee with the First National Montana Bank in Missoula.

Wyoming News

KEMMERER: Tom Scranton has been named executive vice president at First Wyoming Bank. He most recently hails from Cheyenne, where he was vice president of the commercial loan department of First Wyoming Bank, N.A., from 1980 until the present.

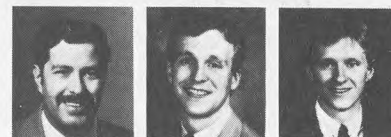
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AGRI OFFICER—Immediate opening, experienced ag. loan officer to head department in \$23 million bank located in resort area. Excellent benefits. Submit resume and salary requirements to First National Bank, Pine City, MN 55063. (PA)

OPERATIONS OFFICER—\$23 million bank in lake area has opening for operations person. Knowledge of compliance and other bank regulations helpful. Excellent benefits. Send resume and salary requirements to file QBL, c/o Northwestern Banker. (PA)

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Senior Ag Lender, age 35, ISU grad., currently number two man in \$50 million community bank, seeks growth situation in progressive bank. File 202

Number Two Person, age 36, currently senior vice president in charge of \$28 million loan portfolio in community bank. Ready to move up. File 303

Operations Person with real estate loan and student loan exp., former examiner. Age 28. Seeks new opportunity under \$26,000

Heavy operations person in key Illinois community bank seeks second man position. Former examiner. College grad. \$28,000

Ag Lender with ISU degree and PCA experience. Farm background. \$16,000

Ag Lender with ISU degree and three years experience seeks job in central Iowa. Salary \$25,000

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Cashier wanted by \$30 million North Dakota bank. Immediate opening. Prefer person residing in either North or South Dakota. Salary open.

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Insurance agent for bank agency located in eastern Nebraska. Bank experience a plus. Salary open.

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Kevin Winter
First National Montana Bank
Drawer B
Missoula, MT 59806

POSITIONS AVAILABLE

SECOND OFFICER—rural Nebraska bank with excellent compensation program. Operations skills and agri-loan experience desired. \$30,000

AGRI-LOAN—Iowa \$30MM bank has opening for seasoned ag-lending officer. Supervision of junior officers involved. \$26,000

EXECUTIVE VICE PRES.—\$40MM community bank located within one hour of Missouri resort area. Operational and lending expertise required. \$35,000

COMMERCIAL LOAN—\$150MM suburban bank with progressive management team seeks strong commercial lender for second position in department. \$40,000

OPERATIONS OFFICER—rural \$30MM bank with above average earnings record desires cashier/operations officer with some knowledge of ag-credits. \$27,000

CASHIER—\$35MM Nebraska bank. Prefer accounting degree and five years or more banking. Bank has inhouse computer. \$30,000

LENDING OFFICER—handle all types of credits for \$50MM bank with emphasis on commercial. Community located in Rocky Mountain area. \$28,000

Many other opportunities available for operations officers with ag-lending experience and commercial lenders. Please forward resume' and salary requirements.

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