

# NORTHWESTERN Banker Newsletter

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Des Moines, Iowa

December 6, 1982

With Recovery Now in Slow Stage

## Business Borrowing to Start Soon

**T**HE YEAR 1983 will be the toughest year for the banking industry since World War II," according to the analysis given last month by Dr. Roy E. Moor, senior vice president and chief economist for The First National Bank of Chicago. Speaking at the bank's 36th Conference of Bank Correspondents, Dr. Moor set the stage as the opening speaker at the first session with his forecast. He looks for a slight loan demand pickup in the second half of 1983. A summary of his comments follow:

"We think the economy already is in the slow stage of recovery. We see the classic phenomenon of that—softness in business borrowing. As sales pick up, cash flow picks up, lessening borrowing needs, and businesses try to hold down inventory; so there is less borrowing, less capital expansion while they try to maximize their financial recovery from recession.

"There is tremendous competition from foreign markets for ag sales. Our crops are up in volume, and in price due to a stronger dollar.

"Credit risks classically rise during a recovery and bankruptcies will increase during 1983. It will be tougher than 1982.

"However, for some there is a silver lining. We see a classic pattern of recovery. When business custom-

ers begin to borrow again, they start with their home banks; so, if you have business accounts in your area you can expect them to start borrowing soon.

"In addition, non-business borrowing is expected to increase—perhaps 20% more in mortgage lending in 1983 over '82. There is a deferred demand in new construction and in the present inventory of houses. One tricky area is the change in instruments to finance mortgages.

"Consumer purchasing of autos and other durables will be about a 7% increase over 1982. There is a tremendous deferred demand out there on cars.

"Further good news is that area consumer household balance sheets have improved the last couple of years. Savings are up, and people are paying down their outstanding debts, making for more financially healthy consumers who are more able to borrow than any time since 1979.

"We have seen a 4½% deposit growth through large CDs over the past year. In the area of individual deposits, the new regulation permitting banks to offer a money market account means banks will have to compete with financial institutions offering these accounts. By the same token, banks have a tremen-

dous advantage now because they can be a one-stop shop and can draw funds back to the hometown bank. We must recognize clearly the public's intense sensitivity to interest rates, leading to disintermediation of funds, even within our own institutions and between institutions, whichever offers the best deal.

"Let me issue you a warning regarding this aspect of 1982. The extraordinary conservatism of householders has led to keeping funds in savings accounts or NOW accounts. I feel this was associated with the recession and was induced by caution. As the recovery continues, I think these people will *reverse* and look for greater return.

"In the area of costs, wages and salaries in 1982 over 1981 went up 6%, the lowest in some years. Our forecast, and I think you should take this seriously, is that those numbers in 1983 over 1982 will be down to a 4½% increase. This reflects a lower anticipation of the inflation rate. We expect inflation to be lower next year—below 5%.

"A major increase in costs for banks will be for the withholding of tax on interest and dividends, despite the rule that you won't have to aggregate accounts.

"Fed policy in 1983 generally will be like 1982—some accommodation to M1, but mostly attuned to aggregates. Deregulation brings things we like, but also competition. It has happened to every industry dereg-

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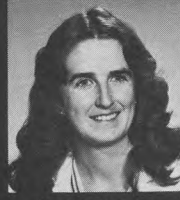
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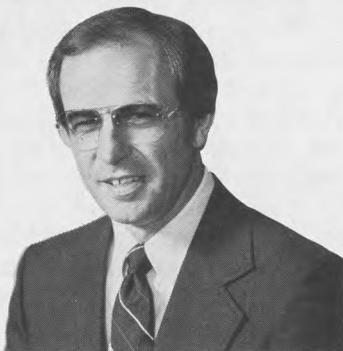
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### SPECIAL NOTICE!

The Annual Management Conference and Duck Dinner hosted by Northwestern National Bank of Minneapolis will be held as scheduled on Thursday, December 9 at the Hyatt Regency Hotel in downtown Minneapolis, according to Don Pederson, vice president and head of the correspondent bank division. He said the conference will be unaffected by the Thanksgiving Day fire that disabled the main bank building. The formal program starts at 1:15 p.m. as previously scheduled, followed by a reception and the Duck Dinner beginning at 6:00 p.m.

ulated. We don't anticipate any change in Fed policy, whether Chairman Paul Volcker stays or goes after August 1, 1983, and I don't expect a legislative change on rule over Federal Reserve policy.



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### Iowa News

**CLINTON:** Bruce M. Dunlap, a 1974 graduate of the University of Iowa Law School, who joined First National Bank here last March, has been appointed vice president and trust officer, according to J.L. Menges, president. He succeeds Thomas K. Killion, who has been named chairman of Hawkeye Bancorporation's trust division.

**COUNCIL BLUFFS:** First National Bank directors have elected Willard J. Lenners vice president and manager of commercial lending and Thomas D. Johns vice president-real estate. Mr. Lenners was with Bank West N.A. in Pierre, S.D., for 12 years before joining First National. Mr. Johns previously was regional manager for American Charter Federal S&L.

**DENISON:** David Olson has joined First Northwestern National Bank as a vice president. He was formerly assistant vice president at First Northwestern Bank of Red Wing, Minn., where he managed the ag lending and human resources departments.

**MELVIN:** Thomas E. Benz, president and chairman of Melvin Savings Bank, died November 19. He was four days shy of his 91st birthday. Mr. Benz began his banking career with Melvin Savings Bank in 1916 and served there 66 years.

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Bank of Boone, a Hawkeye Bancorporation affiliate, has been given approval by the Comptroller of the Currency to acquire Farmers Savings Bank of Stratford. Farmers Savings Bank will be merged and the combined name will be Citizens National Bank, Boone-Stratford, with total assets in excess of \$70 million. An office will be retained in Stratford, the 88th Hawkeye location in Iowa.

### Nebraska News

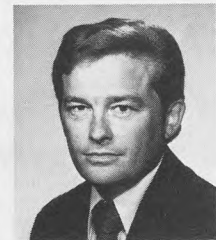
**KILGORE:** The Farmers State Bank has received approval to establish a remote service facility in Valentine. The ATM is located at 273 North Main in Valentine and began round-the-clock service December 1.

**LINCOLN:** Donald W. Weber, an employe of the Comptroller of the Currency since 1977, most recently as an associate national bank examiner, has been promoted to national bank examiner. A native of Lincoln, where he will remain headquartered, Mr. Weber is a graduate of the University of Nebraska.

**STANTON:** Richard G. Fox, formerly with the FDIC, has joined The First National Bank as a vice president.

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**\$750,000**  
**IOWA STUDENT LOAN LIQUIDITY CORPORATION**  
Floating Rate Student Loan Revenue Bonds  
1981 Series A

DATED: April 15, 1981

DENOMINATION: multiples of \$5,000

The bonds will be in fully registered form with interest payable quarterly. Next interest payment date is March 1, 1983 and quarterly thereafter, 6/1, 9/1 and 12/1. Interest from December 1, 1982.

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

\$750,000      6.25%      Price      91.00

Maturity March 1, 1996

Callable March 1, 1988 at 102%

The bonds will bear interest at the rate of 6.25% from December 1, 1982 to March 1, 1983 and thereafter at a rate which will fluctuate quarterly based upon 75% of the average bond equivalent rate for 13 week U.S. Treasury Bills auctioned during the quarter immediately preceding each payment date (3/1, 9/1 and 12/1) rounded upward to the nearest 1/20 of 1%. IN NO EVENT WILL THE INTEREST RATE BE LESS THAN 6% OR GREATER THAN 13 1/2% PER ANNUM.

The 1981 Series A Bonds are being issued for the purpose of providing funds to purchase existing or newly originated student loans from eligible lenders under the Iowa Student Loan Liquidity Corporation Purchase Program. The proceeds will also be used to fund the Debt Service Reserve Account, to fund the Loan Reserve Account, to capitalize approximately 7½ months operating expenses and to pay costs of issuance.

All student loans purchased from the proceeds of the Bonds must:

Be originated and serviced under the provisions of the United States Higher Education Act.

Be 100% guaranteed by the Iowa College Aid Commission and reinsured by Federal Government or 100% guaranteed by the Federal Government.

Have a rate of interest no less than 7% and be eligible for Federal Special Allowance and Federal Interest Subsidy.

Legal opinion: Belin, Harris, Helmick & Heartney, Des Moines, Iowa, Bond Counsel to the Corporation. Certain legal matters have been passed on for the Underwriters by their counsel, Hawkins, Delafield & Wood, New York, New York.

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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Western March 1988  
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17-17000 will be the  
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