

NORTHWESTERN Banker Newsletter

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January 3, 1983

Pricing New Accounts Key to Profit

WHILE reports are still being gathered on results of the first two weeks of activity resulting from introduction of the Money Market Deposit Account on December 14, the financial institutions of the nation are gearing up for the Super NOW which becomes marketable January 5.

Mixed reviews have been given introduction of the MMDA in mid-December. In some banks the account has been positioned as an investment or savings vehicle; in others, it is touted as a higher yielding transaction account. Estimates of the average balances required in the MMDAs (with \$2,500 the required legal minimum) range from \$3,000 to as much as \$15,000 and \$20,000—practically all of the latter high levels being in those accounts positioned as investment or savings vehicles. As a rule, people surveyed by various methods have indicated that if they are seeking a higher return to maximize the value of their money, they are more interested in the safety and the enhancement of that nest egg rather than accessing it to spend the money. The fact that the money is accessible if the need should arise, without fear of penalty as imposed by traditional CDs, is accepted as a valuable addition to the arsenal of commercial banks and S&Ls.

The record so far at year-end appeared to be between the dire predictions of those who felt that the money for the MMDAs basically would all come out of the checking and savings accounts at the depository institutions, thus increasing interest costs dramatically without the benefit of new money, and those who thought the availability of the new account would drain money back in a hurry from the MMMFs that sucked more than \$200 billion from the economy in the past two years. Somewhere between lies the true facts, but enough time hasn't elapsed to obtain an accurate picture. Many banks surveyed report anywhere from 20% to 40% "new" money. Some profess to be able to trace a certain percentage directly to withdrawals from MMMFs and state that money is "coming home."

Regardless of the source or volume of the funds deposited in the MMDAs, banks and S&Ls must face the January 5 account and determine how they will offer it.

With the obvious need to determine one's true costs for all phases of banking activity, as emphasized so strongly by experts the past few months, there appears to be a distinct trend to actually tying in costs with pricing, a fact of life avoided in many banks in years past because there were so many off-setting fac-

tors to be considered, especially the value of "free" balances in checking accounts. Now, experienced marketing executives and bank managers are stressing the need to pin the new accounts down to a bottom line of investable balance for the bank; i.e., "after all is said and done, how much do we have to invest after reserves and expenses and how much of a spread can we make after paying a competitive market rate of return?"

Many individual customers soon will learn that their accounts will be analyzed and assessed just as commercial accounts have been analyzed for activity for years. Various pricing strategies and methods of computing all costs can be arrived at through consultation with city correspondent banks or a specialized marketing service. The essential point for bank managers with the new ceiling-free deposit accounts is to know costs, the rate of return, and what can be offered customers as a fair, competitive market rate of return. Reacting to a competitor's published rate, when his costs and methods of operation differ, can lead to a decline in net, the marketing experts point out.

The value of the MMDA and the Super NOW can't be judged for some months yet, but at least banks now have some tools to work with in the fight for the consumer's financial business. □



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Chase Prime to 11%

The Chase Manhattan Bank of New York dropped its prime lending rate December 28 to 11% from 11½%, the lowest level the prime has hit for a major bank since August, 1980. Other banks were expected to follow suit. The drop was attributed to decreased borrowing costs and lessening commercial loan demand. The Federal Reserve Banks dropped the discount rate recently to 8½%. Some analysts forecast further drops in both the discount rate and the prime, probably to a 10% level or lower for prime in the first quarter 1983.

Iowa News

CEDAR RAPIDS: Brian R. Phillips, president of Banks of Iowa Computer Services, Inc., is scheduled to speak at a February 17-18 executive conference in Palm Springs, Calif. Phillips, a 20-year veteran of bank data processing, will help provide what conference sponsor Hogan Systems Inc. terms "a perspective on the dizzying status of the financial industry in today's climate of deregulation, an uncertain economy and competition from non-banking sources."

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DES MOINES: David G. Wright, president of Northwest Brenton National Bank, has been appointed chairman of the Region VII Des Moines District Advisory Council of the SBA by James Sanders, administrator in Washington, D.C., of the SBA. He also announced the appointment of Larry Wenzl, president of Hawkeye Capital Bank & Trust, Des Moines, as a member of the Advisory Council.

DES MOINES: United Central Bank of Des Moines is placing 10 ATMs in operation this month in Hy-Vee Stores in the Des Moines area. With the six ATMs in UCB offices and one at Mercy Hospital, this will bring the bank's total ATMs in use to 17.

DUNLAP: Carol Mulligan, previously assistant cashier of Dunlap Savings Bank, has been promoted to cashier.

DYSART: The First National Bank of Tama County opened here for business December 20 in its new building. Formerly known as Clutier State Bank, the charter had been approved for removal to Dysart some time ago and the bank name was changed. An office has been retained in Clutier in the old building. First National also has an office in Vining. The mailing address at the Dysart location is Box 700; the phone number is 319/476-5050.

RAKE: Oscar E. Quam was presented a plaque at a dinner held in his honor, recognizing him for 50 years of service on the board of directors of State Savings Bank. Mr. Quam has served the past 38 years as president and chairman. The plaque was presented by Executive Vice President Gordon Swenson.

SPENCER: Clay County National Bank of Spencer recently changed its name to Hawkeye Bank and Trust. Hawkeye Bank and Trust is a

member of Hawkeye Bancorporation.

WEST BURLINGTON: Charles N. Gross has been named executive vice president of the West Burlington Savings Bank. Mr. Gross succeeds Ed Hass who has retired, but will remain on the board of directors. Mr. Gross joined the bank in 1978 after having been vice president with First National Bank of Rock Island, Ill.

Nebraska News

DWIGHT: The Farmers State Bank of Dwight is a newly-chartered state bank authorized by Paul Amen, director of banking, to begin operation in Dwight December 27 under the department's emergency powers. This allowed the Dwight Cooperative Credit Association to merge with the new bank, which has assumed all deposit and share balances held by the Coop, which will become deposits of the new bank. Farmers State Bank of Dwight is owned principally by Kermit Wagner and associates, who will offer ownership interests to Dwight area residents. Mr. Wagner has interests in other area banks, including Brainard.

FALLS CITY: Merle L. Veigel has been promoted from senior vice president and trust officer to executive vice president and trust officer at the First National Bank & Trust Company, Falls City. The bank has also announced that Edwin J. Jackson has been appointed operations officer.

GRANT: Farmers National Bank has been sold by F. Willard Jackman, chairman, and his brother, Charles E. Jackman, executive vice president, to Dale Stine and his son, Greg, of Ord. Mr. Stine is chairman

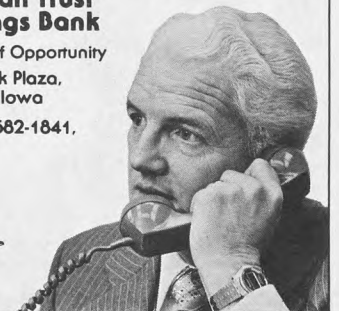
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and Greg Stine is president of Nebraska State Bank in Ord. Dale Stine will be chairman at Farmers National. Philip E. Jossi, president at Bank of Brule, has been elected president of Farmers National. The Jackman brothers and Donald W. Sexson, who has been president of the Farmers National, will continue on the board and in active management for some period of time in 1983.

Minnesota News

HOPKINS: First National Bank of Hopkins has announced the following management changes: Jim Cory, John McDonald, Delores Olen, and Bruce Watson have been named senior vice presidents of operations, credit administration, retail banking, and real estate division, respectively. Three assistant vice presidents named were Rod Brostrom, manager of the personal banking center; Brad Krogman, manager of the sales finance department, and Barbara Wheeler, personnel department. The bank has also appointed Richard A. Huckle and Wendy Kimmer as personal banking officers and Cindy Robinson as operations officer.

MINNEAPOLIS: Michael J. Pint, Minnesota's commissioner of banks since 1979 and chairman of the Minnesota State Commerce Commission, will rejoin the Federal Reserve Bank of Minneapolis on January 3 as senior vice president and chief financial officer. He was on leave from the bank during his tenure as state commissioner of banks.

PARKERS PRAIRIE: Richard C. Westlund, president of the First National Bank, and his wife, Grace,

have sold their controlling interest in the bank to Roger O. Johnson, Carl V. Lind and Dennis J. Zaun. The sale was effective December 3. Mr. Johnson is president and CEO of First National Bank of Fergus Falls. Mr. Lind until recently was president and majority stockholder of the First National Bank of Verdale, which merged in November with First National Bank of Bertha. Mr. Zaun is a CPA in St. Cloud. Mr. Westlund will continue as president and CEO at Parkers Prairie bank. The three new owners have joined the board of directors.

ST. PAUL: Andreas R. Behrendt was recently advanced to vice president at the Minnesota State Bank of St. Paul. For the past year Mr. Behrendt served as an assistant vice president of Corporate BancServices, Inc., an affiliated bank management firm.

ST. PAUL: Governor-Elect Rudy Perpich has appointed John D. Chisholm, chairman of the Marquette Bank & Trust Company, Rochester, as commissioner of banking. He served in the same capacity under former Governor Rolvaag. Mr. Chisholm succeeds Michael J. Pint, who announced recently he will rejoin the Federal Reserve Bank of Minneapolis, from which he had taken a leave of absence. He returns to the Fed as senior vice president and chief financial officer.

ST. PAUL: Michael M. Pouliot has been elected senior vice president and cashier of Eastern Heights State Bank. Previously he was vice president and cashier. He joined the bank in 1968 from 3M, which owns the bank.

Illinois News

The Bank Marketing Association will sponsor a seminar January 19 in Chicago to help banks address opportunities and problems created by the new money market accounts. "The New Accounts: Where Do We Go From Here" will be held at the O'Hare Hilton. Registration for the seminar can be made at 312/782-1442.

ROCKFORD: James H. Boeger has been named vice president-data processing at the First National Bank and Trust Company, Rockford. Mr. Boeger was manager of Management Information Services of DeKalb AgResearch, Inc., DeKalb, before joining the bank.

WILLOWBROOK: LaVerne E. Corbin has been promoted to vice president and manager of the loan department at First Security Bank.

North Dakota News

FARGO: Richard H. Walstad has been appointed to the board of directors of the Fargo National Bank and Trust Company. Mr. Walstad is president and a majority stockholder of Cook Sign Company, Fargo.

Colorado News

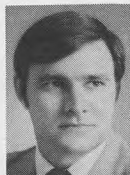
DENVER: Richard A. Kirk, president, chairman and CEO of United Bank of Denver, announced recently that the bank's directors have elected Charles R. Hazelrigg as president of the bank and as a member of the board. Mr. Kirk will continue as chairman and CEO. Mr. Hazelrigg, 49, has been with the bank since 1958.

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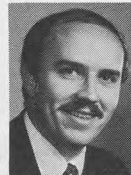
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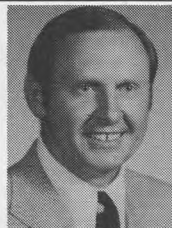
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CASHIER/CONTROLLER—handle accounting, internal and regulatory reports for \$40MM suburban bank. Accounting degree preferred. \$26,000

COMMERCIAL LOAN—staff addition to \$200MM urban bank. Should enjoy business development and have 3-5 years commercial lending experience. \$28,000

AGRI-LOAN—manage Ag portfolio for \$30MM rural bank. Prefer Iowa native with Ag degree. \$26,000

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