

NORTHWESTERN Banker Newsletter

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December 31, 1984

1985: Change and Opportunity

By **PATRICK L. FLINN**

President,

Robert Morris Associates, and

Executive Vice President,

The Citizens & Southern National
Bank, Atlanta, Ga.

THE FIRST half of the 1980s was spent trying to deal with inflation, recession, and unemployment. We hope most of this is behind us for the second half of the '80s. The prospect for 1985 appears to be one of growth and prosperity. Financial institutions should benefit from new loan growth and the proper management risk in their current portfolios.



Commercial lending in the latter part of the 1980s will also require additional skills in order to finance an economy that is increasingly service-oriented. The five Cs of credit will still predominate but the makeup of cash flows, income statements, and balance sheets will be different. We've already seen some increased lending activity in this sector. What we have seen is only a small fragment of what we can ex-

pect to see in 1985 and future years. How we deal with this opportunity will influence our organizations.

New Loan Directions

We will continue to finance our manufacturing and production sectors, but they will become a relatively smaller segment of our commercial and industrial loans in 1985 and the future. The distribution and service sectors will challenge our industry's ability to adjust to change. Increased technology will require a better-educated, more sophisticated lending staff.

In addition to a changing economic environment, our organizations will need to continue to emphasize quality control. This is best illustrated by the large number of bank failures during 1984. A back-to-the-basics approach will be necessary for our organizations to participate in real growth.

Loss Reserves a Must

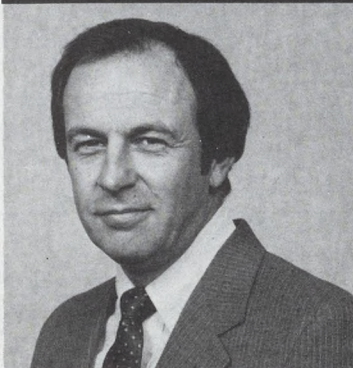
Continued emphasis by the regulatory authorities on reserve for loan loss adequacy will cause most institutions to increase their analysis in the establishment of their provisions and reserves. This, in some cases, will require additional provisions. Our industry must take a proactive position in establishing adequate tools for properly establishing

our reserves. If we do not, the regulatory authorities will have no alternative but to establish the methodologies that we must use. While we continue to experience an expanding economy, it is appropriate to reserve for tomorrow's losses. No one plans on having charge-offs, but some loans will always turn bad. Rather than wait, we need to be reserving for those loans now when the economy is strong and the loans being negotiated are of a higher quality. When we undergo a downturn, we already will have reserved for them. The year 1985 is one of the years in which we should take definite steps to increase reserves.

Requires Trained Personnel

Increased geographic expansion will also take place during 1985. This will come from many sources including, but not limited to, regional interstate pacts and non-banks. All of these expansions will tax the capacities of our current staff. An increased number of lending and credit personnel will be necessary. The back office support staff also may need to be expanded.

The strength to access and train these additional personnel will be in the hands of the best performing financial institutions. They're the ones who have recognized the need for hiring and training quality people. They are committed to continued training at all levels. They have



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the flexibility to move staff geographically in order to transfer their corporate philosophies. The movement of staff is not creating a void, but provides an opportunity for someone's growth.

In summary, 1985 will be a year that requires us to lend an ever-increasing amount of dollars to the distribution and service industries. Our reserve for loan losses will be the result of a more sophisticated analysis and will generally increase in an expanding economy. Finally, the financial institutions committed to continued education and training will hire and train an increasing number of personnel. This increased number will be used to staff opportunities created by geographic expansion. □

Iowa News

CHARITON: The National Bank & Trust Company of Chariton recently announced the promotions of Jim Fuller to vice president in charge of consumer loans, marketing and property management, and Jewel Thorne to motor bank manager. Mr. Fuller joined the bank last June as assistant vice president. Ms. Thorne has been with the bank since 1978.

DES MOINES: At Valley National Bank, Rick Miller has been elected vice president in the lending division. He joined Valley Bank in 1983 as assistant vice president.

WAUKON: Recently promoted at Farmers & Merchants Savings Bank here were: James L. Rathbun to vice president; Robert N. Erickson to assistant vice president, cashier and trust officer; Nancy Burg to assistant vice president, and Marlys Leiran to assistant cashier.

Nebraska News

Back to Basics—Consumer & Commercial Lending, is the theme for the Nebraska Bankers Association 1985 Lending Conference scheduled for January 15-16 at the Kearney Holiday Inn. Advance registration fee is \$105, which includes all conference materials, continental breakfasts, lunch and refreshments. Registration at the door is \$120.

Here is the program schedule as announced by Don Harms, chairman of the loans and investments committee, and president, First National Bank, Syracuse.

Tuesday, January 15

- A.M.**
- 8:30 Continental breakfast/registration.
- 9:00 Dennis McCuistion, McCuistion & Associates of Irving, Texas, will present the following topics:
 "Back to the Basics"
 • The banker as financial consultant and the challenges of lending in the 80s.
 10:00 "Basic Steps in Making a Consumer Loan"
 "Should We Be Tending to Variable Rate Lending?"
 "Competition—Is There a Difference & Does Anyone Really Care?"
- P.M.**
- 12:00 Lunch.
- 1:00 "Problem Loans"
 • Case Studies; loan rating, and dealing with distressed borrowers—personal relationships.
- 3:30 "Brother, Have You Got the Time?"
 • Time management.
- 4:30 Reception.

Wednesday, January 16

- A.M.**
- 8:30 Continental breakfast.
- 9:00 Dr. Donald J. Simonson, Oklahoma Bankers, professor of finance at the University of Oklahoma, will present the following session topics:
 "Investigating & Analyzing the Credit"
 • Interviewing the borrower; establishing credit, and establish the intended use of the funds and the willingness to repay.
 "Financial Statement & Cash Flow Analysis"
 • Amount of credit; establish the financial health of the borrower, and analyzing the cash flow properties of the firm.

- P.M.**
- 12:00 Lunch.

- 1:00 Case studies.
 "Loan Structuring & Pricing"
 • Repayment program; terms and collateral required; rate pricing of the loan, and loan covenants, positive and negative. □

The Nebraska Bankers Association Education Committee, chaired by John Green, president, Wauneta Falls Bank, Wauneta, will present the 1985 Train the Trainer Workshops on January 23 at the Lincoln Cornhusker; January 24 at the Omaha Red Lion, and February 11 at the Kearney Ramada Inn.

Fee for the workshop, which will run from 8:30-4:00, is \$40 for those current members of the NBA Videotape Library, and \$60 for non-members.

HASTINGS: Dan Finken, vice president and retail banking manager, Norwest Bank Hastings, has been promoted and transferred to manager of Norwest's Region V retail services department in Omaha, effective January 14. Mr. Finken joined Norwest in 1976 and has held his most recent position of retail banking manager since 1984.

OMAHA: John A. Changstrom, retired Omaha National Bank vice president, died earlier this month of pneumonia at the age of 100. He had retired in 1952 after 48 years with Omaha National.

OMAHA: John D. Woods, chairman and CEO of Omaha National Bank, has announced the appointment of Leo A. Mayhan, John E. Nahas, Michael R. O'Malley and Donald R. Politano to vice presidents. Mr. Mayhan joined the bank in 1975 as a senior staff auditor. Mr. Nahas joined in 1975 as a work measurement analyst. Mr. O'Malley joined the bank's estate and trust division in 1974. Mr. Politano has been with the bank since 1974.

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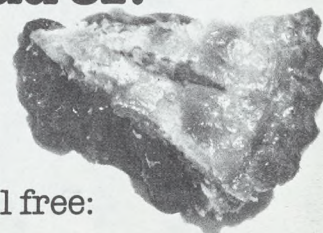
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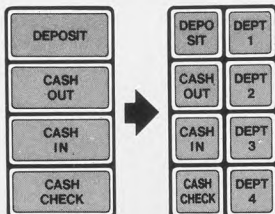
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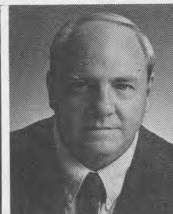
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Minnesota News

MINNEAPOLIS: William P. McKnight has been appointed vice president of human resources for F&M Marquette National Bank. In this newly-created position, Mr. McKnight will be responsible for the bank's overall human resources policies and procedures. He most recently served as vice president and director of administration for ITT Industrial Credit in St. Paul.

MINNEAPOLIS: Levor Garnaas has been promoted to vice president by First Bank Minneapolis. He joined the bank in January, 1984, and had been assistant vice president in the government trading/sales division of the capital markets and treasury group.

SAINT PAUL: Wallace V. Blomquist has been named senior vice president for First Bank Saint Paul. He joined First Bank Minneapolis in 1955 and now has responsibility for commercial loan workout activities at both First Bank Minneapolis and First Bank Saint Paul.

Illinois News

AURORA: Aurora National Bank recently announced the promotion of the following two officers to vice president status: Joyce M. Gagne, operations, and Jack A. Jacoby, commercial lending. Ms. Gagne started her banking career 25 years ago in the customer service department. Mr. Jacoby joined the bank in July, 1983, and previously served 13 years with Elmhurst National Bank.

PEORIA: The Commercial National Bank has announced the election of Brock L. Hessing, R. Jeffery Smith and Douglas S. Stewart to senior vice president positions. Mr. Hessing is responsible for the commercial division. Mr. Smith is responsible for the retail division and Mr. Stewart will now become responsible for the trust division.

SANDWICH: First Security Bank of Sandwich was closed Saturday, December 22 by William Harris, Illinois commissioner of banks and trust companies, with the FDIC named receiver. The bank reopened Monday, December 24 as First National Bank of Sandwich, a newly-chartered subsidiary of Union Bancorp. of Streator. Union Bancorp. is the bank holding company for The Union National Bank of Streator. First National will assume approximately \$10.4 million in 2,300 deposit accounts, the FDIC said, for which it will pay the agency \$518,000. The bank also agreed to buy the failed bank's installment loans, real estate loans and certain other assets. The FDIC will retain assets of the failed bank with a book value of about \$5.5 million, for which it will pay First National \$4.1 million, a spokesman for the agency said.

South Dakota News

SIoux FALLS: Hurley Wilson has joined Norwest Bank South Dakota, N.A. as a senior vice president in credit administration. Mr. Wilson originally joined Norwest Corporation in 1955 in Montana. In 1980 he left Norwest and was elected president of The United National Bank in Sioux Falls, his most recent position. In his new position, he will be officed at the downtown location of Norwest Bank South Dakota.

North Dakota News

The Grand Forks and Fargo-Moorhead Chapters of the American Institute of Banking have announced the following class schedules for the winter semester:

Grand Forks Chapter

January 10, 4:30 p.m.—Customer Service - 2 weeks (First Bank);

January 17, 6:30 p.m.—Money and Banking - 12 weeks (First National);

February 5, 6:30 p.m.—Loss Pre-

vention - 6 weeks (First National);
February 21, 4:30 p.m.—Writing for Results - 6 weeks (First National).

For more information, contact Carmen Toman, First Bank Grand Forks, 795-6100.

Fargo-Moorhead Chapter

All classes will be held at Moorhead State University.

January 8, 6:30 p.m.—Consumer Lending - 12 weeks;

January 8, 6:30 p.m.—Introduction to Commercial Lending - 12 weeks;

January 10, 6:30 p.m.—Analyzing Financial Statements - 12 weeks;

January 10, 6:30 p.m.—Business Trust - 12 weeks.

For more information, contact Paul Perez at First Bank Fargo, 280-3500.

* * *

The annual NDBA Washington Legislative conference has been rescheduled to Monday-Wednesday, April 15-17, due to Congress shifting its usual recess schedule around the Easter holiday.

Montana News

CASPER: Charles E. Pedersen, president and chief executive officer of First Interstate Bank of Great Falls, will become chief executive officer of First Interstate Bank of Casper effective July 1, 1985. He will succeed Henry A. Hitch, who will retire on that date as president and CEO after a 26-year career with First Interstate Bank of Casper. Mr. Pedersen's successor as head of First Interstate Bank of Great Falls is expected to be named around May 1.

Wyoming News

HULETT: Catherine M. Hattan has been elected vice president and cashier of Hulett National Bank. Ms. Hattan previously served at First Wyoming Bank of Wheatland for 19 years.

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