

NORTHWESTERN Banker Newsletter

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ABA Supports Loan Loss Reserve

By **BEN HALLER, JR.**
Publisher

A SPOKESMAN for the American Bankers Association testified July 26 before the House Ways and Means Committee that the Administration's proposal to eliminate the reserve method of accounting for loan losses by banks is "unfair, inequitable, and contrary to the national interest."

John R. Petty, chairman and CEO of Marine Midland Bank, New York, speaking for the ABA as a member of its Government Relations Council, added: "If a bank were not permitted to deduct both its cost of funds and a recognizing interest from a loan, the bank would be paying taxes on phantom profits. Banks should pay taxes on an ongoing basis on their pretax profits after deducting the cost of funds and a provision for expected credit losses."

All of this hassle over commercial banks' loan loss reserve must be bringing a smile and a twinkle to the eye of a delightful Irishman named Emmett W. Rossiter, who is undoubtedly viewing these proceedings from a comfortable vantage point in heaven. Mr. Rossiter was just a plain, old-fashioned "country" banker who organized the Bank of Hartington in northeastern Neb-

raska in 1934. Mr. Rossiter died in April, 1951 at the age of 63.

But before he died, Mr. Rossiter created a few ripples that have had lasting effect in the banking industry. Single-handedly he doggedly pursued his concept of allowing banks to set up a loan loss reserve before taxes. Mr. Rossiter's son, Vincent E. Rossiter, Jr., now chairman of the Bank of Hartington, recalls that his father was pursuing this idea just prior to WWII, but it was put on hold until the war ended in 1945. Emmett Rossiter again began stumping for his plan, gaining the support of the Nebraska Bankers Association.

Shortly after joining the magazine in 1945, we had the privilege of meeting Mr. Rossiter and heard him address the 1946 NBA convention in Lincoln on the topic, "Loss Reserves Before Taxes." Part of our report on his talk quoted Mr. Rossiter as saying, "This legislation would aid bankers to more nearly attain impregnability of financial structure through providing a definite method whereby banks might establish loan loss reserves in years of good earnings against losses in years of depression and lean earnings." Mr. Rossiter said further this bill was proposed unsuccessfully to the resolutions committee at the national ABA convention in Chicago a

month earlier. Our report quoted him as saying, "the only way to get action on it is for small banks, which compose 80 percent of the ABA, to all become interested to act on the bill."

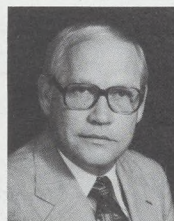
Mr. Rossiter was like a tenacious bulldog with his firm belief in the loan loss reserve concept. By constant traveling back and forth to Washington and New York, telephoning around the country and writing volumes of letters, Mr. Rossiter saw his idea come to life on December 7, 1947, as Mimeograph No. 6209 of the Commissioner of Internal Revenue, titled, "Reserve Method of Accounting for Bad Debts in Case of Banks." The formula was based on the average loss experience on the loans of an individual bank over the past 20 years. It was then embraced and endorsed by ABA, IBAA, and all banks in the nation.

Today, very few people remember, know or care that a wise country banker from a small Nebraska town set the stage for a banking procedure that is playing a crucial part in today's loan crisis in so many banks.

Even fewer people know that after his idea was adopted, Mr. Rossiter added up his business expenses he paid from his own pocket in connection with pursuing his idea and when they totaled \$1,800.00, he entered that total on his income tax

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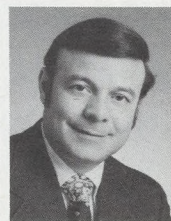
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return as a deduction. The IRS, which adopted his suggested loan loss reserve, promptly stamped his deduction—"Rejected!" □

Iowa News

Four one-day workshops will be held around Iowa to introduce the Residential Real Estate Forms and Procedures Manual. They will be Aug. 26 at the Ironmen Inn, Iowa City; Aug. 27 at the Airport Inn, Des Moines; Aug. 28 at Maxwell's Harbor House, Storm Lake, and Aug. 29 at the Sheraton Inn, Mason City. Registration for each workshop will be at 8:30 with adjournment at 3:00. Fee includes refreshments and lunch and if paid in advance is \$60 for members, \$75 for

subscribers and \$90 for non-members. At the door the fee is \$20 additional. Register through the IBA office in Des Moines.

CEDAR FALLS: At Norwest Bank Cedar Falls Mark A. Long has been promoted to assistant vice president-commercial banking and Duane A. Amhof has been appointed commercial banking officer. Mr. Long has been with Norwest since 1981 and with the Cedar Falls bank since 1984 as a commercial banking officer. Mr. Amhof has been with Norwest since 1983 and with the Cedar Falls bank since 1984 as a commercial banking representative and credit analyst.

CLINTON: Wayne V. Jungjohann, vice president of Iowa State Bank, Clinton, announced his resignation to the board last month. He joined the bank in 1958 and has served in various capacities. Since 1981 he has managed the 7th Avenue South office of the bank. He has indicated he is leaving the bank to pursue other career and business interests.

DES MOINES: At Norwest Bank Des Moines, three were recently named vice presidents. Patricia L. Hanson, formerly vice president and controller for the bank, has been named regional vice president and controller for Region IV of the corporation and chief financial officer of the bank. Mitchell A. Christensen has been named senior vice president and cashier in charge of opera-

tions. The Des Moines operation department includes the consolidated operations function of six Norwest affiliates in Region IV. Cara Heiden, previously assistance controller, has been named senior vice president and controller.

GRINNELL: Stanley C. Lubben has joined the Grinnell State Bank as assistant vice president in the loan department. He was previously associated with the Iowa State Bank in Clarksville for 17 years.

WATERLOO: Otto W. Thomas has been elected president of Waterloo Savings Bank, effective August 19, succeeding Dale DeKoster, who retired recently. Mr. Thomas moves from Youngstown, Ohio, where he was executive vice president of Bank One of Eastern Ohio, N.A., for the Bank One northern region.

Nebraska News

The Nebraska Bankers Association will host its annual NBA Ag Credit Conference in Lincoln at the Cornhusker Hotel, September 5-6. Registration is at 8:30 a.m. Thursday; program starts at 9:00 a.m.; luncheon Thursday noon will have Nebraska Football Coach Tom Osborne as speaker. After a reception and open dinner hour, registrants may attend a special appearance of "Alabama." The conference concludes with a Friday luncheon that features the Ag Recognition Awards.

* * *

First National Bank of York, First National Bank of Bradshaw, The Blue River Bank, McCool Junction and the Farmers & Traders Bank, Waco, Nebraska have filed with the Comptroller of the Currency an application to merge the four banks. The principal office of the merged banks will be at The First National Bank in York and the other three banks will operate as branches at their present locations. All four of the banks are owned by First York



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Ban Corp, a bank holding company, which is owned by Robert V. Jones and C.G. "Kelly" Holthus, who have been active in banking in York and York County for the past 35 years.

FAIRFIELD: Hastings State Bank received approval July 11 from the Nebraska banking department to open an office here, replacing The Fairfield State Bank, which was closed by the banking director May 31. The new office is expected to open in the old Fairfield bank quarters in early August. Guide Rock State Bank also applied for an office in Fairfield, but its application, filed two days after approval of the Hastings application, was then denied.

LINCOLN: First National Lincoln will host its 25th Correspondent Bank Conference at the Cornhusker Hotel September 6-7. There will be a reception in the First National across the street from the hotel Friday evening. The Saturday program will feature the traditional Ag Panel, followed by an 11:00 a.m. brunch, after which guests will adjourn to nearby Memorial Stadium for Nebraska's opening football game with Florida State.

OMAHA: FirstTier, Inc., a Nebraska-based financial services company, has formed a new subsidiary that will offer consulting services to banks in the region, called FirstTier Management Consultants, Inc. Ronald L. George will serve as president of the subsidiary. He was previously regional director of special surveillance for the U.S. Comptroller of the Currency's Kansas City office and is also a former employee of FirstTier subsidiary Omaha National Bank.

PAPILLION: J. Sid Dinsdale has been named president of Bank of Papillion. He was formerly executive vice president of the Fort Lupton State Bank, Fort Lupton, Colorado.

Minnesota News

The Minnesota Bankers Association Commercial Lending School (CLS) will be held August 11-16 at St. Olaf College in Northfield. According to CLS Administrator Wayne Berthiaume, the program aims to prepare bankers to serve ef-

fectively as commercial loan officers. Approximately 110 bankers are expected to attend this year.

* * *

BENSON: James E. Hella has been elected president of the First Security State Bank. He previously served as president of Farmers State Bank of Lake Benton. Donald C. Minchow was named vice president of the bank. He previously was with Swift County Bank in Benson.

HIGHLAND: American National Bank has named John D. Turner vice president and manager of its new detached facility in Highland. He most recently served as president of The Highland Bank, where he was employed since 1969.

MINNEAPOLIS: Norwest Bank Minneapolis has appointed four vice presidents. Ronald T. Whitcomb has been named vice president, metro business banking. He most recently served as manager of metro business banking and senior manager at the 615 N. 7th St. branch as well as manager of the Metro Business Banking Center at 1221 Nicollet Ave. Anthony M. Pasko has joined the bank's corporate banking group as a commercial banking representative in the real estate development department of the special industries division. He was previously a vice president for First National Bank of Chicago. Douglas S. Pearson was named vice president in the corporate banking group's regional corporate banking division. He joined the bank in 1983 as assistant vice president and senior commercial banking specialist. Garrett W. Boss was named vice president in the trust individual services area of capital management and trust. He joined the bank in April as senior portfolio manager in trust capital management services.

MINNEAPOLIS: David G. Herzer, senior vice president of administration for First Bank System and a former Wisconsin bank president, has been named president of the First Bank System Foundation and senior vice president of public affairs. He succeeds Lloyd L. Brandt, who retired July 31 after 12 years in the company's public affairs department.

South Dakota News

The South Dakota Bankers Association will sponsor a Qualified Plan Seminar (formerly Keogh) on August 28 at the Holiday Inn in Mitchell. Registration will begin at 8:30 and the seminar will conclude at 4:30. Fee is \$95; register through the SDBA office in Pierre.

North Dakota News

BISMARCK: Steve Jacobsen has joined Norwest Bank Bismarck as senior vice president-loan administration. He has been associated with Norwest since 1971, most recently as senior vice president at Norwest Bank Wahpeton.

Wyoming News

GLENROCK: First National Bank was closed July 23 on order of H. Joe Selby, Acting Comptroller of the Currency. The deposit liabilities of \$17 million were assumed by National Bank of Glenrock, a newly-chartered bank, which paid FDIC a premium of \$9,000.

Montana News

BILLINGS: Keith D. Cook has been promoted to vice president-commercial loan department at First Interstate Bank of Billings. He joined the bank in 1984 as an assistant vice president in commercial lending.

BUTTE: At First Citizens Bank of Butte, Erin Goosey, formerly vice president and cashier, has been named chief executive officer. Charles F. "Bud" Brasier has been elected vice president, commercial loan officer. Both were formerly with Montana Bank System.

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SENIOR LOAN OFFICER \$50mm suburban bank, leader in peer group \$45,000-\$50,000

SENIOR LOAN OFFICER \$200mm, 50,000+ population, administrative background \$60,000

CREDIT REVIEW OFFICER, COMMERCIAL LENDER Small Holding Company \$40,000-\$43,000

PRESIDENT \$15mm outstate bank, non ag \$55,000

COMMERCIAL LENDER \$50mm, 3-5 years experience, \$10mm portfolio \$35,000

COMMERCIAL LENDER Metro area, 3-5 years experience, \$20mm portfolio \$35,000-\$40,000

CHIEF EXECUTIVE OFFICER \$15mm 1,500 population, lake area \$40,000

COMMERCIAL LENDER real estate construction background, \$65mm bank OPEN

PRESIDENT \$70mm bank, outstate/independent, ag & commercial credits \$50,000-\$55,000

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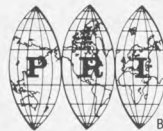
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REAL ESTATE LOAN - junior position in large suburban bank. Will assume some duties in construction and comm'l real estate depts. plus handle residential loans. \$23K

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