

# NORTHWESTERN Banker Newsletter

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Des Moines, Iowa

November 11, 1985

At Kansas City Meeting—

## Assn. Execs. Discuss Farm Problems

**S**TATE banker association executives and elected officers from eight midwestern farm states met in Kansas City November 6 to discuss the possibility for legislation to ease the difficulty farm lenders are experiencing with farm borrowers. They met at the invitation of Stan Matzke, Jr., executive vice president of the Nebraska Bankers Association.

Other states taking part in the discussion included Oklahoma, Kansas, Missouri, Iowa, Minnesota, Wisconsin and Indiana. Some of the other state association executives who couldn't attend sent memos of their own. Alan Tubbs, who served the past year as chairman of the ABA Ag Division and is president of First Central State Bank in DeWitt, Ia., was invited to moderate and address the meeting. Another invited guest was H.L. Gerhart, Jr., chairman of the Independent Bankers Association of America ag committee and president of First National Bank in Newman Grove, Nebr. Also taking part were ABA staff members Brian Meyer of the state association section and Dennis O'Toole of the government relations division. Approximately 30 people took part in the meeting.

Among the specific topics discussed were these:

1. Reorganization and restructure of the Farm Credit System to make

sure it will be properly capitalized and audited in the future, and a checking of FCS powers.

2. Programs to assist farm asset values and farm income to the extent that interest rates affect them. Included in this discussion were:

- The Harl Plan—from Dr. Neil Harl, Iowa State University, to set up an Ag Credit Corporation to hold a distressed farm mortgage loans. Similar to one proposed by IBAA.

- Boschwitz Plan—from Sen. Rudy Boschwitz (R., Minn), to write down farm loan interest rates.

- Indiana Bankers Association proposal for tax-free bonds to restructure loans.

- Nebraska Bankers proposal for guaranteed land values. Would utilize a federal agency similar to post WWII Federal Housing Agency to establish land values for each farm, then guarantee up to 80% to 90% for loan purposes. Create a secondary market like other agency bonds and let banks sell into that market, handling loans for a fee as done with home mortgages.

3. Concern for the availability of funds in the future.

4. Concern over contents of a new FCS bill yet to be introduced titled "Farm Credit System Self-Help and Federal Assistance Act of 1985." It calls for a \$6 billion bailout of the FCS and perhaps \$2 billion for more

in future years.

### Realistic Programs

Mr. Tubbs said participants then discussed what is actually "do-able" at this time, based on this preamble: "Income and cash flow form the basic source of the financial problem in production agriculture and we urge Congress to maintain current income support levels and pass a responsible farm bill as soon as possible." Mr. Tubbs said participants felt the following five points were important:

1. Restructuring of the Farm Credit Administration into an independent, adversarial regulator.

2. That we insure that future powers of the FCS be checked so it doesn't erupt after regaining financial health into an uncontrollable non-bank bank.

3. In the interest of the legislative time frame yet available in this Congress, the group felt the interest rate write-down, accompanied with a capital certificate program, was more politically possible (Boschwitz bill) than an Ag Credit Corporation holding tank approach (Harl proposal). The Boschwitz plan would offer three parts: A. A three-year 5% interest rate buy-down. E.G., for a farm borrower with a 13% rate, federal assistance would reduce that to 11%, state assistance (in states adopting the measure) would reduce

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it to 9%, and the bank 1% write-down would reduce it to 8%. B. The lender's alternative would be to write principal down 15% and take the loss over a 10-year period. C. Leaseback opportunity to farm owners, including first right of refusal for repurchase of farm.

If a lender writes down the principal 15% or more, he wouldn't be asked to stand the 1% interest rate-down as well. In addition to the FCS and Boschwitz proposals, the bankers assembled in Kansas City proposed an alternative that would have the federal government issue unfunded capital guaranty certificates available to all ag lenders. This would shore up bondholder confidence in the FCS and depositor con-

fidence in the banks. It does *not* guarantee the loans to the FCS or the bank. FCS and/or banks would have to take their own losses on the loans. For banks, it would have the government capital guaranty during the three-year period, in addition to its regular capital. This capital guaranty then would have to back off 10% per year over a 10-year period following the initial three-year period when such non-performing loans had the full guarantee. If a bank with such guaranty went under, FDIC would collect the capital guaranty from the federal government.

4. Somehow, provide a mechanism for banks to access a long-term secondary market for farm real estate mortgage loans, or create one. An alternative would be to have the FCS be the purveyor of long-term loans and commercial banks purveyors of short-term or operating loans.

5. Oppose any special bailout that is at the expense of commercial bank borrowers, i.e., FCS borrowers getting a subsidized rate or any other kind of relief that is not available to bank borrowers.

**Longer-Term Approaches**

Mr. Tubbs said the group felt all the above points can be addressed in the current Congress. The group meeting in Kansas City said they would commit themselves to addressing a longer-term program for possible solutions in the future and

this long-term approach would attempt to interact with other farm interest organizations and groups.

Mr. Tubbs said the conclusion in Kansas City was that the other earlier mentioned proposals would require a longer legislative time frame; i.e., the Land Trust concept backed by Dr. Harl and IBAA, the Indiana tax-free bond proposal, and the Nebraska proposal to guarantee land values.

In addition to other proposals discussed, all agreed that lenders should encourage expanded use and availability of Farmers Home Administration guaranteed loans.

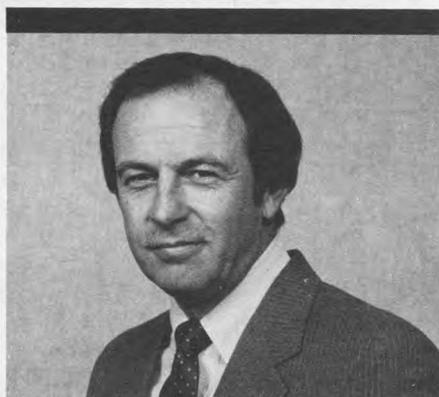
None of the discussions or proposals at the Kansas City meeting represent any state association policy as yet. Mr. Tubbs will present a summary of the meeting to the ABA Ag Committee and Mr. Gerhart will report to his IBAA Ag Committee the same results. □

**Iowa News**

The IBA Marketing Committee is once again sponsoring the annual Best of Iowa Bank Marketing competition. Marketing programs completed by a bank before December 31 and that have not previously entered in this competition, may enter in any of the three marketing campaign categories or eight advertising award categories. Winners will be announced at the IBA Marketing Conference scheduled for March 23-25, 1986. Entries must be submitted no later than December 31, 1985 to the Iowa Bankers Association.

\* \* \*

ALGONA: First Interstate Bank of Algona has elected Terry Vaudt vice president and cashier and Joyce Petersen as loan compliance officer. Mr. Vaudt previously served as vice president and manager of the bank's



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**SENIOR AG LENDER:** Directly involved in all facets of lending in a rural community bank of 60m+. Very thorough individual with examining experience in both ag and commercial loans. 15 years of banking looking for key opportunity in strong organization.  
DB1001 \$33K

**SENIOR VICE PRESIDENT:** Commercial loan officer with 10+ years in \$100m bank seeks new opportunity. Community active in charge of \$9-10m portfolio managing 5 lenders. Well trained through several national schools.  
DB1002 \$50K

**AG LOAN OFFICER:** Heads-up lender 8+ years bank experience in ag oriented holding company. In-depth knowledge of lending through hands-on achievement and well developed analytical skills.  
DB1003 \$26K

**VICE PRESIDENT OF AG:** Community leader with good ag sense and lending expertise. Several ag schools, loan analysis skills, cash flows and field calls. Has been in all types of ag areas: row crop, irrigation, feeder cattle even dairy.  
DB1004 \$38K

**OPERATIONS:** Efficient, well prepared individual currently in an \$80m+ institution. Internal audit, computer and lending experience. Completed computer conversion and supervised 10 people.  
DB1005 \$29K

**EXECUTIVE VICE PRESIDENT:** Professional with hands-on approach and multitude of lending experience in the \$40m and under size facility. Holding company training in ag, commercial and consumer lending with ag emphasis. Supervisory and analysis skills.  
DB1006 \$45K

**CHIEF EXECUTIVE OFFICER:** Exceptional #1 person with history of 1.1+ ROA in ag oriented institutions of \$70m+. Oversaw ag portfolio of \$25m+ and kept it in shape. \$10m in commercial loans with 20+ years in banking over 10 as a CEO.  
DB1007 \$50K

(CONTINUED)

## PARTIAL LISTING OF AVAILABLE BANKING CANDIDATES

**COMMERCIAL LENDER:** Workout and documentation specialist with hard hitting approach to large line credit and computer analysis. Has had loan portfolio training through both state and large bank schools.  
DB1008 \$20K

**CONTROLLER/BANKING:** Degreed manager with large bank background and 15 years experience seeks new challenge. Strong general accounting and financial reporting experience. A conscientious individual who accepts responsibility and takes pride in a job well done.  
DB1009 Earns \$30K

**PC SPECIALIST:** Over 5 years experience on-line networking in banking applications and ATM's a specialty. Relocation not a problem.  
DB1010 Mid-Upper \$20's

**PRESIDENT:** A 'can do' leader. Successful executive with 9 years in #1 spot of an ag bank seeks continued leadership role. Maintained high ROA and strong capital base in \$20m+ banks.  
DB1011 \$45K

**CHIEF EXECUTIVE OFFICER:** Small bank specialist with 8½ years of keeping rural banks profitable. Likes small town environment and enjoys community activities. Fully licensed in insurance and most familiar with small grain/row crop ag areas.  
DB1012 \$38K

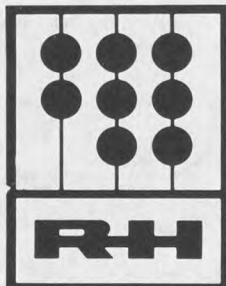
**AG LENDER:** Degreed individual with 3+ years lending, farm management and management in rural banks. Quick learner who is at home creating new business or cleaning up old problems.  
DB1013 \$27K

**REAL ESTATE LENDER:** High energy, 9 years #3 man in \$50m+ institution. Successful commercial and real estate lender with good background in operations. Looking for career move that will offer challenge and opportunity.  
DB1014 \$35K

**COMMERCIAL LENDER:** Large bank training and two years experience handling credits in major metro market. Hands-on knowledge of cash flows, ratio analysis and statement spreading for the last 2 years.  
DB1015 \$18K

**EXECUTIVE VICE PRESIDENT:** 12+ years ag lending and management in med-sized community banks. Currently a Vice President in a \$40m+ institution making field calls, handling farm managements, clean-up and business development. Seeks challenge and opportunity to prove capabilities.  
DB1016 \$35K

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Bode office. Ms. Petersen previously served as a loan supervisor.

**EARLY:** Iowa's 10th bank failure of 1985 occurred November 1 when the state banking department closed the Early Savings Bank due to insolvency caused by a string of ag loans gone sour. The FDIC, as receiver, sold the deposits of \$12 million and certain assets to Citizens First National Bank of Storm Lake for the high bid of \$10,001. FDIC paid in \$4.1 million cash to complete the transaction. The new institution will be operated as the Early branch of Citizens First National. Early (Sac County) is 17 miles directly south on Hwy. 71 from Storm Lake (Buena Vista County). Last year-end Early Savings had deposits of \$12,919,000, loans of \$8,257,000, and capital accounts of \$1,267,000.

**POSTVILLE:** W.A. Kneeland has announced his retirement from the Postville State Bank, effective November 1. He has served the bank for 51 years, most recently as chairman of the board. During his 70 year banking career, Mr. Kneeland was active on the State Banking Board, in the Iowa Bankers Association and in the Savings Bond Program.

**WATERLOO:** The National Bank of Waterloo has made an acquisition agreement with Gilbertville Savings Bank. Gilbertville Savings Bank will become a full-service office of NBW. The agreement has been approved by the boards of both banks and is subject to the approval of regulatory authorities and the stockholders of Gilbertville Savings Bank. No change in bank personnel is anticipated.

**WILTON:** Jerry Johnson has been elected president of Wilton Savings Bank to succeed Rodney Burnett, who moved to Farmers Savings Bank of West Union in a similar capacity. Mr. Johnson most recently was executive vice president of Tama State Bank in Tama.

### Nebraska News

At their Leadership Conference at Kearney Holiday Inn on October 29, a majority of the more than 100 bankers attending voted to support the new tax plan for banks developed by a special task force of the Nebraska legislature. In addition, a majority also voted to maintain NBA's current position against interstate banking legislation.

Described as a deposits franchise tax, the new method would replace a more cumbersome and inequitably distributed tax program to which NBA members had objected. Three banks were on the legislative task force and helped Omaha Senator Vard Johnson, task force chairman, explain the new proposal to the Leadership Conference. They were Alice Dittman, president, Cornhusker Bank, Lincoln; Bill Smith, president, First National B&T, Lincoln, and Joel Wiens, chairman, First State Bank, Kimball.

Banks and other financial institutions would be taxed under the new plan at the rate of 40¢ per \$1,000 of deposits, capped at 48.8% of the maximum corporate income tax rate. NBA President Mel Adams told the group, "We feel this tax plan represents a fair and reasonable method of resolving certain legal problems surrounding the question of bank taxation." After much discussion and questions about various trade-offs, the majority agreed the new proposal was worth supporting.

Their recommendation went to the NBA Executive Council.

**NORFOLK:** Dennis R. Morrison has been named president of Norwest Bank Nebraska's Norfolk facility, replacing Thomas Finnigan who resigned to pursue other business interests. Mr. Morrison has been with Norwest since 1979, most recently as Region V vice president/banking and development.

**PENDER:** Michael C. Minert has been named vice president of Pender State Bank. He previously served as vice president and office manager of the Renwick Office of the Hawkeye Bank and Trust, Humboldt, Iowa.

### Minnesota News

The Minnesota Bankers Association will co-sponsor a video teleconference with the American Bankers Association titled "Problem Loans: Detecting, Solving, Preventing." The program will be held from 9:45 a.m. to 4:30 p.m. on November 19, 1985, at the Sheraton Inn Northwest, Brooklyn Park. Registration begins at 9:00 a.m. Cost is \$115. For further information, contact the MBA office.

**MINNEAPOLIS:** Norwest Corporation has promoted David Jarvis, executive vice president, to vice chairman. Mr. Jarvis, who joins Richard S. Levitt as one of two vice chairman of the corporation, will continue to serve as chief financial officer of the corporation. Mr. Jarvis joined

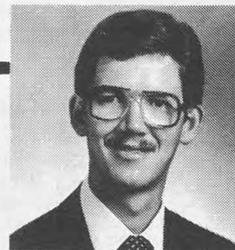
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4 Norwest in 1981 and previously was with Pillsbury Company.

**PINE CITY:** Edward W. Palmer recently was elected executive vice president and cashier of Pine City State Bank. He joined the bank in 1983 and prior to that time spent 13 years with First Bank System in South Dakota, Montana, Minnesota and North Dakota.

**ST. PAUL:** At First Bank St. Paul, Sophie Bell has been promoted to vice president. She joined the bank in 1983, and most recently served as assistant vice president in the Regional Banking Group.

### North Dakota News

Independent Community Banks of North Dakota member banks and Compliance Club members are invited to a comprehensive compliance seminar entitled "Meeting Today's Challenges in Bank Compliance." The seminar will be held from 9:00 a.m. to 4:00 p.m. on Nov. 22, with registration at 8:30. Fee is \$95, which includes all materials and breakfast, lunch and afternoon refreshments. Register through the ICBND office in Bismarck.

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