

## Sen. Garn Seeks Regulators' Comment On Ag Task Force Recommendations

**M**EMBERS of the ABA-IBAA Ag Task Force (Jan. 13 issue) held their second meeting in Washington, D.C., February 13-14 to reaffirm the recommendations they made at the initial meeting in Dallas January 14-15, and to meet with bank regulators and Treasury representatives to explain their program and seek their support. This was part of the beginning effort to sell the Task Force recommendations to members of Congress.

Sen. Jake Garn (Rep., Utah), chairman of the Senate Banking Committee, has called for full committee hearings on the ag crisis to start March 6 and has requested the Fed, FDIC and Comptroller of the Currency to send him a letter by that date with their analyses of the recommendations. The FDIC has given its response to Sen. Garn and the other two regulators are expected to do so at an early date. An ABA spokesman said "at this time there seems to be a unified front developing," referring to the joint banker effort.

The Ag Task Force was created by ABA President Don Senterfitt, vice chairman of SunTrust Banks, Orlando, Fla., under the chairmanship of Randall A. Killebrew, vice chairman of ABA's Government Relations Council and president of

First National Bank, Petersburg, Ill. There are nine bankers from four related ABA divisions. In addition, Mr. Senterfitt's invitation to the Independent Bankers Association of America to join the Task Force to present a unified front was accepted and its three-man delegation is led by IBAA President B.F. "Chip" Backlund, president, Bartonville Bank, Peoria, Ill. (Names of the full committee were published in the January 13 issue.)

At their Dallas meeting, Task Force members adopted their formal recommendations and these included:

1. Stabilization of Bank Capital.
2. Stabilization of Agricultural Borrowers.
3. Stabilization of Farm Real Estate Values.

The "Recommendations" document dated February 4, points out that "extraordinary charge-offs" for ag loans losses, running at an annualized rate in excess of \$1 billion in 1985, "are eroding the capital structure of many agricultural banks as the loan losses are deducted from the banks' available capital." The document points that this reduces "both the total capacity of the bank to extend credit and the size of individual loans that the bank can make."

To remedy this, and keeping in mind the Congressional massive bailout of the Farm Credit System on December 23, 1985, the Task Force states, "Our first priority as a means of preserving banks' capital is to change regulatory accounting procedures and enable prudently managed banks to amortize their loan losses over a multi-year period. Such a procedure is relatively simple to administer, would assist a broad segment of banks and their borrowers, and would entail no direct government cost."

Two other options to maintain capital were listed as "regulator-assisted injections of capital into certain troubled banks" (e.g., with FDIC injection in the form of debt or equity); and "unfunded capital certificates similar to net worth or income capital certificates currently used for certain thrift institutions."

It was stated that careful attention would need to be given to some proposed IRS changes that would eliminate carrying the net operating losses back 10 years and limiting this to three years, with any excess loss being carried forward.

On Recommendation 2, the Task Force says, "we recommend further expansion of the Farmers Home Administration agricultural loan guarantee programs and authority. In the current budgetary situation, the FmHA loan guarantee program is the least costly means of stabilizing and extending agricultural debt. In

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addition, expansion of the \$490 million interest rate buy-down program included in the 1985 Farm Bill would provide major cash flow assistance to agricultural borrowers at minimal direct cost. We also need clarification this year of the FmHA preparedness to provide direct loans to qualifying farmers who cannot be financed in full by commercial lenders."

On Point 3, the Task Force stated "We seek the development of an institutional secondary market for longer term real estate loans originated by commercial banks. A secondary market would provide access to additional funds and diversify the risks and returns from farm lending. One option is to pool

FmHA-guaranteed loans for resale as mortgage-backed securities to investors."

The Task Force also said warehousing of problem ag loans and/or acquired assets deserve further study, as well as permitting banks to hold real estate assets for a longer period of time to stabilize the markets. □

### Iowa News

At the Group 11 meeting in Burlington February 17, Edward K. Johnstone, president of Keokuk Savings Bank & Trust Co., Keokuk, officially took over as Group chairman. He replaces William R. Bernau, president, Peoples Savings Bank, Crawfordville, who was appointed in January as Iowa superintendent of banking. Succeeding Mr. Johnstone as Group secretary is Daniel H. Doyle, president, Wellman Savings Bank.

\* \* \*

The Iowa Bankers Association will sponsor its 1986 Ag Credit Conference on March 17-19 at the Scheman Center at Iowa State University in Ames. Registration on the 17th begins at noon with afternoon sessions starting at 1:00 p.m., an exhibit hall reception at 5:00 and dinner on your own at 6:30. Continental breakfast on the 18th is at 7:30 with sessions beginning at 8:15, noon lunch, workshops starting at 1:30 p.m., and dinner on your own at 5:00. On the 19th breakfast is at 7:30 a.m., sessions begin at 8:00,

lunch is at noon, and the afternoon presentation is at 12:30. Registration, which includes handouts, exhibit hall entrance, refreshments, the reception, two breakfasts and two lunches, is \$100 for IBA members, \$125 for subscribers and \$150 for nonmembers. Register through the IBA office.

AMES: Robert O. Grathwohl, who was executive vice president at United Bank & Trust until late last year, recently joined Citizens Bank and Trust Company of Chillicothe, Mo., as president. Mr. Grathwohl was president of University Bank & Trust Co. in Ames at the time of its merger last June with Union Story Trust & Savings Bank to form the new United Bank & Trust.

CEDAR FALLS: Recent promotions at Cedar Falls Trust & Savings Bank include two vice presidents. Dorothy D. Heine has been promoted to vice president and cashier. She joined the bank in 1963 and previously was branch manager of the College Square office and head of the consumer loan operations. Thomas Damgaard has been promoted to vice president and head of the consumer loan operations. He joined the bank in 1976.

CLINTON: Promotions at Iowa State Savings Bank in Clinton included two promotions to vice president. Richard J. Carlson, who joined the bank in 1979, was promoted to executive vice president and secretary. Jurgen R. Duhr, who came to the bank in 1981, was promoted to vice president cashier.

DES MOINES: William A. Wishman has been elected senior vice president and comptroller of Valley National Bank. He has been with the bank for 25 years, most recently as vice president and comptroller.

PATON: Isabelle Nuckolls, widow of Denver Nuckolls, who died January 26 of cancer, has been advanced to succeed him as president of Com-



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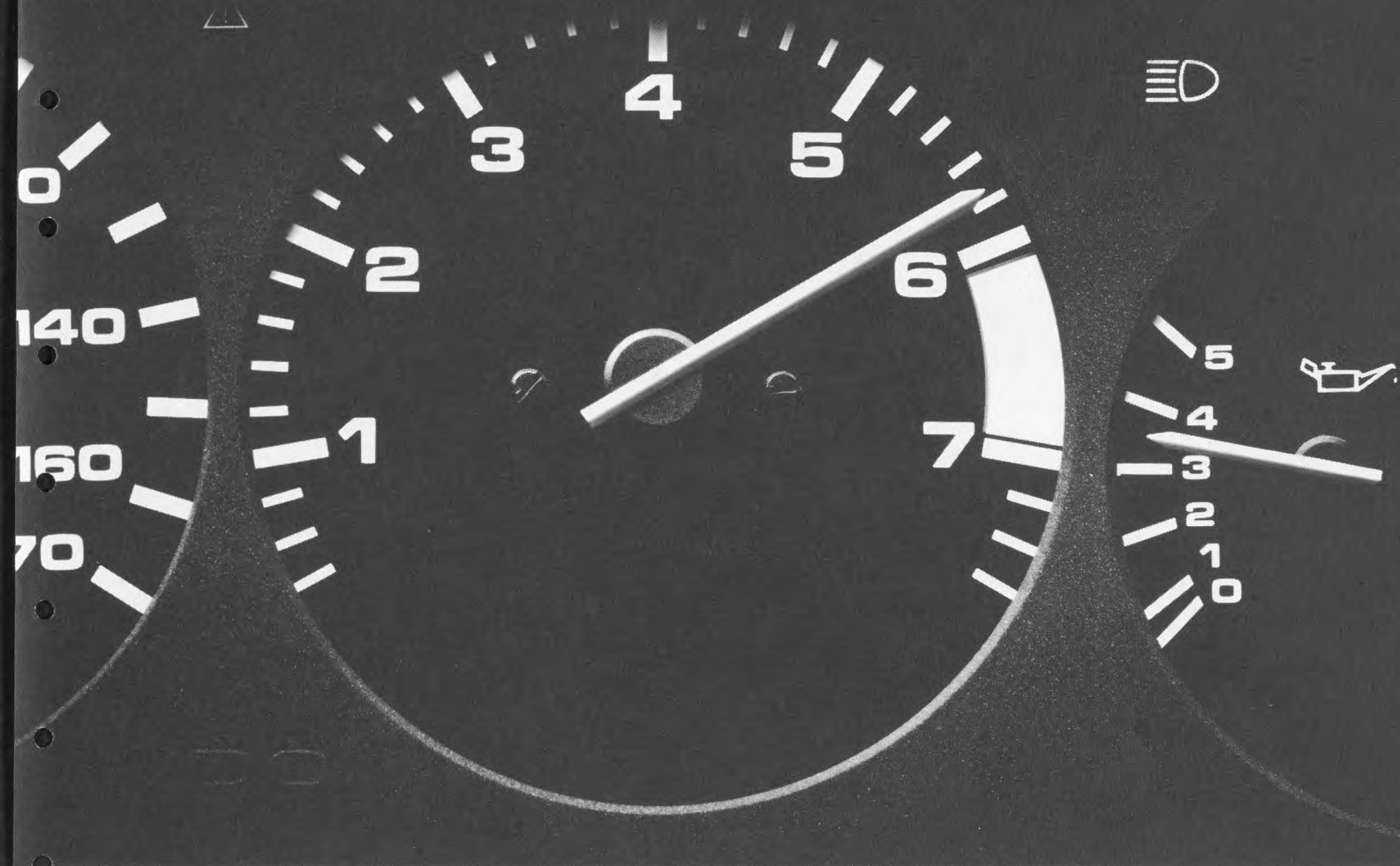
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munity State Bank. Mr. and Mrs. Nuckolls had worked together for the bank for 45 years and had owned the bank a number of years. Charles Sarazen recently joined the bank as executive vice president and CEO. He was formerly executive vice president and trust officer at First Interstate Bank in Algona. In addition, the Community State Bank board elected Richard Happe as assistant vice president.

### Nebraska News

**ELK CREEK:** Approval has been received to change the name of State Bank of Elk Creek to Johnson County Bank, Elk Creek, with an office in Tecumseh. The State Bank, as reported in last week's issue, purchased the failed Johnson County Bank of Tecumseh from the FDIC February 7 when the latter bank was closed. State Bank of Elk Creek, with \$6 million in assets, assumed Johnson County Bank's \$18 million in deposits and loans of about \$10.5 million.

### Minnesota News

The Minnesota Bankers Association will present a Strategic Planning Seminar in three locations: March 10 at the Brainerd Holiday Inn, March 11 at the Bloomington Embassy Suites Hotel and March 12 at the North Mankato Holiday Inn. The seminar, specially geared for community bank CEOs, will feature Tom Farin, president of Easley,

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\* \* \*

The MBA will hold a Productivity/Cost Containment Workshop on March 13 at the Sheraton Airport Inn, Bloomington. Two speakers will conduct the program. Karen A. Alf, president of Karen Alf & Associates, is the former manager of the financial institutions consulting practice of Peat, Marwick, Mitchell & Co. Richard Franzmeier, vice president of The Highland Bank of St. Paul, is chairman of the MBA operations committee.

**DULUTH:** At First Bank Duluth, Helena Jackson was promoted to vice president, trust—legal. She joined the bank in 1980 and most recently served as assistant vice president and trust officer. In addition, Dan Wallin was promoted to vice president, commercial loan manager. He has served at First Bank Duluth and First Bank Duluth West since 1970, most recently as vice president, commercial loan manager.

**MINNEAPOLIS:** Thomas A. Welch has been elected president and a director of Norwest Bank Camden, N.A. He has been managing Norwest Bank Camden since 1983, having joined the bank in 1981. In addition, Gary Boylan has been elected vice president/retail banking.

**MINNEAPOLIS:** Don Johnson has

been elected president and a director of Norwest Bank Old St. Anthony, N.A. He has been with Norwest since 1963, most recently as a senior vice president of the bank.

**MORA:** M.D. "Pete" McVay has been elected a director of Kanabec State Bank, filling the vacancy created by the recent death of Russell Strandlund, according to Chairman O. Jay Tomson. Mr. McVay, who is the retired president of Car-gill Co. in Minneapolis and a former director of Norwest Bank Minneapolis, owns and manages a large farming operation in the Mora area. Additionally, it was announced January 30 (February 3 *Weekly News-letter*) that Mr. McVay heads a group that has purchased Norwest banks in Dawson, Luverne, Montevideo and Ortonville. Mr. McVay also has extensive ranch holdings in Kansas and a 7,000 acre ranch in Australia, where he will spend the month of March.

### South Dakota News

The South Dakota Bankers Association is sponsoring an IRA Seminar to be held on March 25 at the Rapid City Ramada Inn and on March 27 at the Sioux Falls Ramada Inn. Presenter is Randy Heidmann of Collin W. Fritz and Associates. Registration is at 8:00 a.m. with the morning session starting at 9:00 a.m., lunch at noon, and afternoon sessions from 1:00 to 4:30 p.m. Fee is \$95, and includes breaks, lunch and materials. Register through the SDBA office.

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