

# NORTHWESTERN Banker Newsletter

Vol. 17 No. 25

Des Moines, Iowa

October 3, 1988

## Frank Naylor Looks at FCS and Banks

*Editor's Note: Frank Naylor, chairman of the Farm Credit Administration, McLean, Va., which is charged by Congress to be the regulator of the Farm Credit System, addressed the Nebraska Banker Association's 1988 Ag Credit Conference on September 1. In that address he analyzed the problems and opportunities facing both the FCS and commercial banks. A summary of his remarks follows:*

**R**EGARDLESS of where the responsibility lies for the problems we have all experienced in the past several years, we have had substantial change in the ag sector; we have undergone a fundamental change in banking from which we'll never turn back.

Perhaps the most significant item in the 1987 Act, and one of special importance that impacts you, is the so-called borrower's rights provisions. To a large degree, the System did this to itself because members of Congress perceived that the FCS was not treating its borrowers properly. What concerns me is the perception of borrower's—ranchers and so forth—who don't think their FCS unit has its act in place. Next Tuesday [September 6] we'll put in place the regulator's guidelines on borrower's rights.

It strikes me that it's important that not only should the institutions we supervise treat their borrowers fairly, but banks, too, should learn from this and do the same, which I feel most of you have been doing. Go to school on the experience of the FCS. You can expect more, not less, intervention on behalf of borrower's rights. In the end, our success and yours depends on the ability to lend at fair, profitable rates to serve our constituencies. Doing this to the satisfaction of Congressmen means reaching their comfort levels with the fact of whether you've treated their constituents properly.

The FCS Act has some things that will affect you in the next couple of years. One was the reorganization of the units. The perception by Congress was that many banks in the System couldn't clean up their act, so they passed a law ordering restructuring, but then passed the ball with only broad outlines back to the industry. As a result, I think you'll see a hodgepodge change that may set up a new, competitive environment in which you won't be comfortable, and you won't go back to the good old days.

More significant to you will be the votes of the Federal Land Banks and the PCAs, who have a whole string of merger options. These in-

clude voting whether to remain separate entities or merge, for example, and perhaps change the number of Districts. My biggest job the next six to seven months is to referee to make sure the proxy statements fairly represent all the options that farmers need to know about to vote.

For you bankers, this will be an unknown quantity. There could be a change if the FLB and PCA choose to merge and be a tough competitor for you. We can't tell you the outcome until the farmer-borrowers decide.

Probably the most significant change over the next couple of years will be what you do with Farmer Mac. There is a mixed feeling in the System. Some opposed it outright. If it hadn't been for the ABA, the IBAA and the insurance companies' action, that view might have prevailed. But, an important group in the System is working diligently to maximize System participation. It is the only place the FCS can go that will exempt it from borrower's rights. There is increased feeling that Farmer Mac offers opportunity—and also some who feel it offers severe competition in the long-term ag real estate market.

The System institutions by and large, I think, are going to be able to turn it around and will become very competitive again. The question is what the structure in your area will be; what form will it take, and what action it will take to be competitive.

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Your job will be to determine what your niche will be and what your course of action will be to pursue it.

A real challenge to all of us lies ahead—the institutions I regulate, and your industry. Frankly, I think the institutions I regulate will make it. There may be some failures in the next five years, but adjustments will be made and we'll make them and take care of the communities we serve.

I hope all of you will make some hard decisions on what you are going to do. At the same time, monitor the competition to see where they're going, how that affects you, and what you will or need to do to adjust. □



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**Iowa News**

The Iowa Department of Economic Development and a team of marketing specialists from Iowa Business Council member companies have joined together to plan and implement a program of economic development for the state. 15 regional meetings will be held during October to preview Iowa's economic development marketing plans for the year ahead. Iowa bankers are encouraged to attend their local meeting, which will be two hours long. Dates and locations are: 3rd, 9:30—community college, Sheldon; 2:00—community college, Emmetsburg; 4th, 9:30—Steeplegate Hotel, Davenport; 2:00—community college, Cedar Rapids; 5th, 9:30—Pizzaz Conference Center, Burlington; 6th, 9:30—community college, Council Bluffs; 1:30—community college, Sioux City; 14th, a.m.—Iowa Professional Developers, Holiday Inn, Cedar Falls; 17th, 9:30—community college, Ottumwa; 18th, 9:30—community college, Fort Dodge; 19th, 9:30—community college, Ankeny; 2:00—community college, Marshalltown; 20th, 7:00—community college, Creston; 25th, 2:00—community college, Mason City; 7:00—The Opera House, Elkhart.

\* \* \*

The Iowa Bankers Association will sponsor a seminar entitled "IRA-88 Compliance Issues," pre-

sented by Collin W. Fritz and Associates, at three locations in October. Registration begins at 8:30 a.m., with the meeting running from 9:00 to 4:00. Registration fee includes program materials, refreshments and lunch, and is as follows: members—\$110 for first registrant and \$95 for each additional; subscribers—\$135 for first registrant and \$120 for each additional; non-members—\$160 for first registrant and \$135 for each additional. Dates and locations are: 25th—the Highlander Inn, Iowa City; 26th—the Hotel Savery, Des Moines; 27th—the Sail Inn Motel, Storm Lake. Contact the IBA to register.

\* \* \*

An IRA Compliance Manual is available from the IBA. The manual, prepared by Collin Fritz and Associates, is being offered until October 31 at the reduced price of \$75 (regular price is \$95). For an annual \$60 renewal fee, the manual will be updated annually. To order, contact Collin Fritz & Associates, 1100 Hwy. 210 West, Brainerd, MN 56401.

**Nebraska News**

The KBA/NBA Schools of Banking's 1988 School of Trust & Financial Planning will be held October 31 through November 4 at the Holiday Inn in Lenexa, Kan. Enrollment fee is \$725, which includes registration, instruction, double lodging, coffee breaks, most meals and all materials. For more information, contact RoJean Clifton, Schools of Banking, Inc., 5930 South 58th Street, Suite O, Lincoln, NE 68516.

FREMONT: Among recent appointments at First Tier Bank Fremont was the naming of Clifford C. Cushman to vice president and manager. He started his career at the bank in 1962, and has experience in commercial, consumer and real estate lending and in operations.

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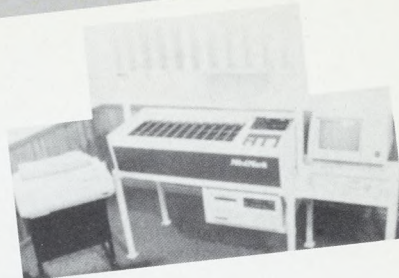
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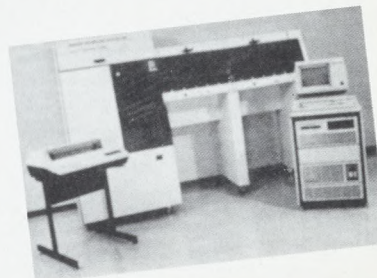
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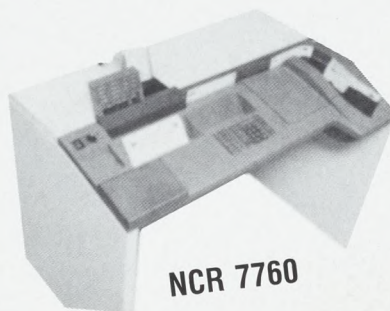
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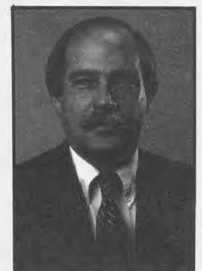
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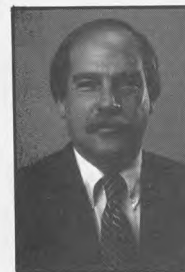
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**Minnesota News**


**MINNEAPOLIS:** Mary Scobee has been named manager of the newest branch of Marquette Bank Minneapolis, located in the Jerry's Grandview Heights complex in Edina. Ms. Scobee previously was assistant manager of a Wall Street branch of Chemical Bank in New York City.

**Wisconsin News**

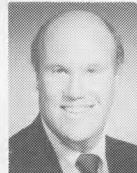

**APPLETON:** It was announced on September 16 that approval has been received from the Federal Reserve Board for affiliation of Colonial Bancorporation, Inc., Thiensville, with Valley Bancorporation, Appleton. Colonial owns banks in Thiensville, Port Washington and Richfield, with additional offices in Wauwatosa, Saukville and Jackson. The merger is expected to be completed during October. The transaction is valued at approximately \$16.6 million.

**EDGERTON:** It has been announced that the First State Bank of Edgerton will affiliate with Valley Bank of Janesville. The Janesville bank will acquire the First State Bank for cash, and it will be operated as a branch office. The Edgerton bank has assets of about \$22 million. The transaction is subject to regulatory approval and approval of First State Bank shareholders.


**KOHLER:** First Interstate Corporation of Wisconsin has announced a corporate restructuring. Banking locations will be organized in three divisions—commercial, con-



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sumer and customer service—rather than by geographic location. The restructuring will be implemented in stages over the next three to six months.

**STRATFORD:** At Stratford State Bank, Allie Knoll has been advanced from vice president to executive vice president. He has been with the bank since 1983. Raymond J. Weisenbeck has joined the bank as vice president in charge of all farm credits. He comes from Wisconsin Rapids and has 26 years of banking experience. Randall Krebsbach, who joined the bank in 1984, has been promoted from assistant vice president to vice president. Alma Laessig has been advanced from assistant cashier to assistant vice president, and Lillian Drexler from assistant cashier to data processing manager.

**Colorado News**

**LITTLETON:** The FDIC has approved the assumption of the deposits and fully secured liabilities of Citizens Bank of Littleton by Equitable Bank of Littleton. The failed bank's sole office, closed on September 15, will not reopen. It had total assets of about \$6.5 million. Equitable Bank will assume about \$5.9 million in deposits and will purchase about \$4.4 million of the failed bank's assets, including \$572,000 of the bank's small loans at a discount of \$84,200.

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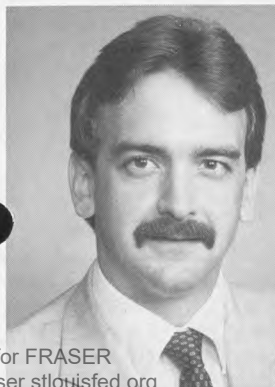
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**INSURANCE:** Due to expansion, we need aggressive individual with all licenses to manage agency in central Iowa with great potential. Responsible for selling and servicing all lines of insurance. Must also be willing to cross train in banking and loans. Send resume and salary history to Security State Bank, Box 549, Hubbard, IA 50122. (PA)

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